and Conduct of Business in Lok Sabha, I am directed to enclose the National Security (Second Amendment) Bill, 1984, as passed by Lok Sabha at its sitting held on the 13th August, 1984."

Sir, I lay the Bill on the Table.

MR. DEPUTY CHAIRMAN: Before adjourning I would like to inform the Members that the discussion on the Eighth Finance Commission's Report will be concluded today. From 2 o'clock we shall start and the House may have to stay longer, as long as the Members like. So, please co-operate.

SHRI NIRMAL CHATTERJEE: Will the Members also get the opportunity to speak as long as they like?

MR. DEPUTY CHAIRMAN: But the time available with every party is fixed and we cannot extend it.

सदन की कार्रवाई दो बजे तक के लिये स्थगित की जाती है।

The House then adpourned for lunch at two minutes past one of the clock.

The House reassembled after lunch at three minutes past two of the clock,

The Vice Chairman (Shri J. P. Goyal) in the chair.

DISCUSSION ON THE REPORT 1984 OF THE EIGHTH FINANCE COMMISSION—Contd.

SHRI NIRMAL CHATTERJEE: Mr. Vice-Chairman, Sir, I began by thanking the Finance Minister for this unprecedented step, which, in turn, was a result of the other unprecedented step. It is for the first time, Sir, that the House is not discussing implementation in the first year of a period of the Finance Commission in the name of delay, and that is why this opportunity has been provided to us.

I am very much tempted, and have my inclination, to enter into the merits of the recommendations of the Finance Commission. I beg to be pardoned; I can have other forums where I can go into analitically to find out the merits and the demirits of the recommendations of the Finance Commission. Larger issues have cropped up, not because of the recommendations of the Finance Commission but because of the Government memorandum on the Finance Commission.

And unavoidably and most unfortunately, against my inclinations, I have to concentrate on that part of it. The only point—that is just in passing that I offer on the brief introduction by the Finance Minister is about the novelty of the recommendation. The only common—not a very serious one—is about the factor of population being down. Now there is an additional reason why it should be so, because, as we all know, the population data for almost all our activities must refer to the Census of 1971, which no longer represents the population profile of the country. But, Sir, I do not want to enter into the methods of calculating or estimating backwardness. I come straight to other issues.

Sir, the States including West Bengal were looking forward to the Finance Commission, and that for two kinds of reasons. One kind of reason is that because of the policies pursued at the Union level, the finances of the States were in a state of devastation. The raising of administrative prices, the attitude towards borrowing of funds were variant, contrary to all past experiences—nowadays the lion's share is taken by the Centre—and also because of the attitude to mobilization of resources of the Centre, as has also been mentioned in the report of the Finance Commission, in terms of the attitude of the Centre towards income-tax. It is reported, without approval, that because the Centre has to share the income-tax to the extent of 85 per cent, the inference of all the States, not only of West Bengal, is that the centre is unwilling to collect much as is collectable *via* the income-tax. This is apart from the criticism

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of all of us about the device of the surcharge, an element separated from the income-tax, in order to avoid from the income-tax, in order to avoid payment of same amount to the States. And the Finance Commission has recommended merger of the surcharge with the income-tax. Sir the Finance Commission has also recognized that without doubt the resources at the Central level are much more than those available at the State level. The policy of deficit financing—I know how the Finance Minister will utilize this later—at the Centre, the raising of prices, the loans and deficit financing, all that has created a havoc with the State finances all over the country. More and more States, in fact, have to be declared as deficit States. This is one reason why the States were looking forward to the Finance Commission. In addition to this, associated with this, is another point. As we all know, and as has been mentioned by the Finance Commission, the salaries of the State Government employees all over the country are umuch below the Central Government employees' salaries. And when the Seventh Finance Commission was making its recommendations, the Pay Commissions almost in all the States of the country were busy in formulating their own recommendations for the States employees. It was becoming impossible for all the State Governments, because of the traumatic experiences from 70s onwards of the population, of the people, of the working masses, to resist the demand that, as stated in the Directive Principles, there should be equal pay for equal work, whether it is in the State or in the Centre. They had to submit in the course of their recommendations to upgrade their salaries which, unfortunately, the Seventh Finance Commission could not take note of either in terms of basic pay or in terms of dearness allowances. States, however, being closer to the people, not living in the ivory towers of the Centre, had to accede to their demands and the finances were dengerously affected in the States. This is one kind of reason, the economic reason. There is another kind of reason, which is the expectation among the States, that the Finance Commission is a different kind of authority. There was a debate among the founding fathers as to whether there should be such a body as the Finance Commission. The debate was whether or not the Finance Commission should be there. There was the recognition that there has to be devolution of resources from the Centre to the States. The consciousness, the awareness was there that in allocating resources the Centre has been given too much and the devolution has to take place. Therefore, it was debated as to which should be the authority to devolve these resources. There was a debate whether it should be left to the executive, in the hands of the Union Government. There was a debate whether it should be left to the legislature at the Centre, that is the Parliament. A view was ultimately taken and that was a right and nice view that since the Centre was a party, it should be left to a third party, almost like the judiciary. This third party approach led to the constitutional provision of the Finance Commission. I know, the particular article says that on the basis of a consideration, after recommendation of the Finance Commission, the President will decide. I know that, but the States did not anticipate it. It is not the question of my knowledge, it is not the question of this additional piece of knowledge which the Finance Minister provided to this House that even in the past, according to him, some major decision, major recommendations of the Finance Commission were not accepted. The States did not anticipate that. They were looking forward to the Finance Commission's recommendations. The States miscalculated, they miscalculated, they did not know that even if Bhindranwale is dead, there were many more Bhindranwales not only in the field of religion but also in the eco-

nomic field. They did not adequately understand that the force, the tendency for secessionism, the tendency for disruption of the country is deeply laid. Sir, what is the argument for the Government's approval or disapproval of a particular part of the recommendation of the Finance Commission? The Government in its wisdom says—as the Finance Minister informed us—that it has happened in the past. I do not know whether it has happened in the past on such a major scale affecting one year out of five years, whether it has been violated in the past to that extent as the definition of what is "major" would make us believe. Sir, I am not a constitutional expert. Even if I assume that the word "consideration" means permission for rejection of "major" recommendations, I have a question to ask: is there no distinction between having a right and exercising that right? I beg to be excused, Sir, a very hard analogy comes to my mind. I once again beg pardon from all of you, but let me mention this. Permit me to mention it because of the depth of anguish that the people of West Bengal feel. Sir, we all know that the oldest profession of mankind is legalised and licensed. Does it mean that just because the action is not extra-constitutional or extra-legal; therefore we encourage the practitioners of that oldest profession to exercise that right? We must draw a distinction between having a right and exercising that right.

And, Sir, the other argument about this is that in the past it has happened and therefore it is not exactly unprecedented. However, let us see how all this has happened. In the past, Sir, the other thing also happened. A final recommendation made on 31st of July was given effect to in full. A final recommendation made in September of a year was given effect to in full. I know the answer that the Finance Minister gave in the other House. He said that the sum involved was a paltry one—of the order of Rs. 42 crores only. He only underlined how much more he was depriving the States this time. But even otherwise was that sum really paltry? This 44 or 45 crores of the Fifth Finance Commission translated in today's terms assuming as we do; Mechanically though, that in every plan we double the amount of the previous Plan in terms of outlay, will approximately be a sum of Rs. 400 crores. Therefore even in terms of precedents, it cuts either way. Either the sum that was applicable was not a minor one and yet it could not be denied, or the sum that you are denying this time is a major amount which is unprecedented. Little did the States know or imagine that although it is in the blood of the Union Finance Minister to devise all kinds of ways to deprive the States, the report of the Finance Commission would be dealt with in this manner. I refer to what the Government Memorandum says—that because of a delay in the submission of report, the Finance Minister of the Government of India was helpless. Sir, why was there a delay? Let me quote. I am quoting this only to establish a very simple point which is that, from the beginning, knowing the situation, the Government at the Centre may be prodded by the Finance Minister was at it to see that the Finance Commission does not function adequately. The Finance Commision itself says:-

"The Commission could only make a slow start in its work, primarily due to the fact that no Officer on Special Duty was appointed in advance of the constitution of the Commission as was done in the case of previous Commissions. No accommodation had been arranged for the Commission before its constitution and the process of sanctions for creation of posts and recruitment of suitable personnel to fill those posts continued for a long time after its constitution. The Commission functioned from a few rooms in the Vigyan Bhawan Annexe, which also had to be vacated soon afterwards on account of

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the requirements of an international Conference."

We know, Sir, our inclination for international conferences.

"The Commission was then allotted accommodation in two separate buildings about 2 km. away from each other and could move into them only towards the end of September 1982. Procurement of office equipment, creation of posts and selection of suitable personnel took time."

This continued till towards the end of 1982. Not only that, Sir. There are other things also. Even in terms of response to queries by the States and the Centre it says that the States also delayed. But the last State which delayed was Bihar. The States began submitting their memoranda from 24th September 1982. How did the Centre behave? They submitted it only on 19th of August 1983—and the Finance Commission was expected to make its recommendations by October 1983. Now, Sir, this is how the delay was caused—not how the delay took place. Now, what happend after this? I want you kindly to note the date. The Finance Commission had to seek permission for extension of time, and the Government extended it. What was the extension? The first extension was till 29th of February 1984—mark the date. The budget at the Centre would have been finally formulated and presented by that date. Now, Sir they got a second extension and that extension was till 30th of April 1984. Now Sir, if the budget was already placed on the basis of the first extension date, could the Finance Minister say it had no time to consider their proposals? One of the arguments why the Finance Minister of the Government says that they are not able to implement the recommendations for the first year is that it was received too late. The Finance Ministry says it was not aware of the recommendations of the Finance Commission. But it showed that while giving extension first on 29th February and then again on 30th April; and in each case the desire was that the recommendations should be for the year 1984-85 as well. (*Time bell rings*) I will solicit some time.

THE VICE-CHAIRMAN (SHRI J. P. GOYAL): There are some more speakers.

SHRI NIRMAL CHATTERJEE: Now, Sir, the Finance Minister was not aware of the recommendations of the Finance Commission. But, the Finance Commission was aware of what the Budget proposals contained. When on 30th of April they were making these recommendations, there was a one-Member dissent—there were three notes of dissent, of which one is by one Member. He took into account what went into the Budget. It is almost his verbatim words of objections which have been adopted in the Government Memorandum, that in view of the fact that the budgets at the Centre and the State are already on the anvil, 1984-85 should be excluded from the purview of the recommendations of the Finance Commission. And, Sir, the majority, including the Chairman, one of the revered leaders of the ruling political party, the Judge, the Planning Commission Member, all, excepting that one individual, knowing what had transpired in the budgets of the States and the Union Government, made the recommendation that all the same it should be made applicable for the year 1984-85 also. Now, Sir, the Finance Minister then says that he would have loved to honour the Finance Commission's recommendations in entirety but for his concern for the minorities. He remembered his tasks of integration, and, therefore, minority of one which had to be respected by him. The arguments for not implementing this are many and various.

SHRI PRANAB KUMAR MUKHERJEE: Where did I say that? Can you point it out?

SHRI NIRMAL CHATTERJEE: You have accepted the minority...

SHRI PRANAB KUMAR MUKHERJEE: Where have I said it?

SHRI NIRMAL CHATTERJEE: The document which you cited that minority.

SHRI PRANAB KUMAR MUKHERJEE: I am very sorry that you have said it. You cannot put words into my mouth.

SHRI NIRMAL CHATTERJEE: I am not saying that you said it. I said about your concern. And they put it in the minority recommendation.

SHRI PRANAB KUMAR MUKHERJEE: Your speech is totally...

SHRI NIRMAL CHATTERJEE: Do you deny that? I am sorry that you do.

SHRI PRANAB KUMAR MUKHERJEE: Nowhere in the supplementary Memorandum or in my speech have I said that I have accepted the minority recommendation. Can you point out?

SHRI NIRMAL CHATTERJEE: Have you not? Should I quote that? Let me quote this minority recommendation. I am sorry, I did not anticipate that he will be challenging me on this. Let me just read this out. This is the recommendation. The minority recommendation has been summed up here. I will come to the actual note of dissent later. "He is of the view that the States' share in 1984-85 be retained at 85 per cent..." That is in regard to the income-tax. "...and continue to be distributed according to the existing formula as recommended in the Commission's interim report submitted in September, 1983." That is according to the percentage recommended by the Seventh Finance Commission. The note of dissent has pointed it out. If you want I will quote from the note of dissent.

SHRI PRANAB KUMAR MUKHERJEE: Just for record sake, you please go through the Supplementary Memorandum of Action Taken and there you will find why I have not accepted it for 1983-84. You may agree with the reason or you may not agree. But nowhere has it been said that I have accepted the minority recommendation, and that is why I am not implementing it. So don't try to mix it up.

SHRI NIRMAL CHATTERJEE: My point is that it is the minority recommendation that you adopted whether you say it or not. That is in terms of the language also. That is what I am saying. I want you to contradict it.

There are arguments why this cannot be done. One argument is, Sir, that he has already given this. What has he given? There are three figures. The Plan advance is given. There are three components to that, of which one is the Plan advance. He says, he has increased it by 10 per cent. Records will show that it is a regular increase. And then 10 per cent increase takes place every year. Record will further show that this Plan advance is an advance and nothing else. That means it has to be repaid which the Finance Commission does not say. He says, Sir, that there is another reason why this cannot be done. Where are the resources? I do not know. The Finance Commission as a body of experts may or may not have gone into it. They came to the conclusion even after taking a view of the Union Budget that this might be given. That is the point I want to assert.

The Finance Minister argues very ably. He says, "What can I do? After all the resources are limited." It is true. Just in passing and as a warning, let me tell you that all the classes which are doomed in history find shortage of resources. That is once again what happened in 1917 in Russia. The Czar could not find out resources for continuing the battle on the one hand and for feeding the people on the other hand. The Czar had no solution to

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the shortage of resources, but the people had. They overthrew the Czar. But, Sir, in this particular case he says, "If I impose taxes in this election year, the Opposition will take exception to this."

SHRI PRANAB KUMAR MUKHERJEE: I am sorry, I have never used the words, "election year". That is your addition.

SHRI DIPEN GHOSH (West Bengal): It has come out in the newspapers in Calcutta.

SHRI NIRMAL CHATTERJEE: I thought the newspapers were favourable to you and had reported you properly.

SHRI PRANAB KUMAR MUKHERJEE: You are adding. I am just telling a story.

SHRI NIRMAL CHATTERJEE I get ten minutes extra for his story.

SHRI PRANAB KUMAR MUKHERJEE: Regarding the proposal of Sir Stafford Cripps, it was described as a post-dated cheque. Some Congress leader commented like that. One journalist added a few words, "on a crashing bank". So, what you are saying about the election year is just like that.

SHRI NIRMAL CHATTERJEE: Another of his handiwork, we discussed last year.

DR. (SHRIMATI) NAJMA HEPTULLA (Maharashtra): At least have a little sense of humour and smile.

SHRI NIRMAL CHATTERJEE: With you in company how can I ever be devoid of humour.

About the Approach to the Plan—please just don't count it in my time —I wanted to say what my commendation is for the approach paper. I wanted to say, "Put it in the dust bin of history." But I would have sought permission to use that in election. That Approach Paper that they have created, till the election is over, we want to retain it.

Similarly this.

Sir, you also said that if he indulges in deficit financing, the Opposition should be objecting to it. He also said if he borrows the opposition objects today. How touching his concern for the opposition? It almost appears, Sir, that his budget proposals, tax proposals and deficit proposals are flowing from the objectives of the opposition. This is the kind of argument which he tries to impart into the debate in order to cover that single fact that the States have to be deprived and West Bengal in particular. I will just draw your attention to one more fact, Sir.

THE VICE-CHAIRMAN (SHRI J. P. GOYAL): Please try to finish as quickly as possible.

SHRI NIRMAL CHATTERJEE: Sir, I will take 5—10 minutes more. You know, Sir, our Finance Minister is domiciled in Gujarat. He moves about in West Bengal. He wants to come back. It is his birth place. He goes to the unkind people of Bengal day in and day out and offers his comments to educate the people of Bengal about the misdeeds of the West Bengal Government. He has every right and we welcome him as the son of Bengal.

SHRI PRANAB KUMAR MUKHERJEE: Thank you.

SHRI NIRMAL CHATTERJEE: We have offered you a seat. Why don't you come in?

Sir, the Finance Commission have an interesting recommendation this time. They have drawn our attention to this aspect. It has used percentages that varies from year to year in the application of its recommendations. Is it surprising that in the first year—in one case the percentage for West Bengal was the highest? The amount was hundred crores of rupees. Is it

an indication of the confidence of the Finance Commission of the state of management of the left front Government in West Bengal that it is anticipated that beyond the first year, the need for this kind of devolution would be decreasing from year to year only in West Bengal in such a way as cannot happen in any other State, so much so that in the final year of the period this hundred crores of rupees would be reduced to near zero. So would be the percentage also.

SHRI JAGESH DESAI (Maharashtra): In some States it is plus.

SHRI NIRMAL CHATTERJEE: You are absolutely right. I can only refer you to the Finance Minister's initial comments. The Finance Minister said, by and large, the situation of the finances in a particular State is more due to the factors not in the hands of the State Governments. If I misquoted you, please correct me. If I have not, kindly educate him. Now, Sir, the point is, it is said that if you deny for the first year the State that will be hurt most is West Bengal. Sir, to spite West Bengal to make a way for the comeback, if on the way a few Congress(I) States like Orissa and some others are hurt, the Finance Minister and the Government at the Centre cannot help. Sir, one cannot go into the hurt of another individual. We judge the intentions in terms of the statements and practice. And the pratice is the charge against the West Bengal Government, which is very simple. It is that it mismanages the resources. The Finance Minister recognises that in the terms of resources, they were one of the biggest mobilisers. But the charge is that they squander, fritter away those resources. And what is frittering away? I was in the Pay Commission of West Bengal, and that was in the year 1978. It continued till 1981. Do you know what the basic pay of a peon in West Bengal was? The scale was from Rs. 75 to Rs. 85 with an increment rate of 8 annas per year. We do not know this was continuing during the Congress regime. We could not continue that situation. The clamour was equal pay for equal work as between the State employees and the Central employees We tried to do that, not only we, all the State tried to do it. We raised their basic pay. We allowed them, permitted them, recommended for them dearness allowance at the Central level. Yet, we have failed to catch up with the Centre, as the Finance Commission elaborately reports. It says that even after this kind of frittering away, that is, paying to its own employees number about eight lakhs in West Bengal, if a peon at the Centre go Rs. 435 as total emoluments, as on 1-4-1982—that was the date of calculation—the peon in West Bengal got Rs. 417. This is true of each single category, including the primary teacher, the LD Assistant and UD Assistant. If this is frittering away, then West Bengal pleads guilty. West Bengal was busy in doing economic management in a slightly different way from what the Centre does or wants the State to do. Now we have already discussed the alternative approach. Within the given limits as put by the Centre, we cannot do all that. Even then, Sir, what we tried to do was simple. Would it surprise the House to know that of all the land distributed in the country, 28 per cent has been distributed in West Bengal only? Would it gladden the hearts of the Members of the ruling party if they know that along with land reforms measures, giving even hereditary rights to the sharecroppers, West Bengal was too busy in providing them finances also? Would this be considered frittering away, in your view? Sir, West Bengal anticipated the emphasis of the Seventh Five Year Plan Approach Paper by emphasising that education is the key link either for population control or for technological transformation or for anything else in this mother country of India. They said that education up to class 12 would be free, taking the risk that the unemployment registers of West Bengal would in the near future, show more and more educated unemployed possibly than anywhere else.

THE VICE-CHAIRMAN (SHRI J. P. GOYAL): Mr. Nirmal Chatterjee, sorry to interrupt you. This is a subject-matter on which each speaker can speak for the whole day. But in the Business Advisory Committee where Mr. Chatterjee was also present, it was decided that this discussion should be finished in one day. You have already taken 45 minutes. Please therefore, shorten your speech, otherwise, it is very difficult. It is my duty to draw your attention to this factor.

SHRI NIRMAL CHATTERJEE: I am trying to finish....

THE VICE-CHAIRMAN (SHRI J. P. GOYAL): You are talking all the while about West Bengal. What about other parts of India? You make salient features...

SHRI NIRMAL CHATTERJEE: This is the Council of States and I come from West Bengal. Naturally I have to plead for my State.

Now I would make a brief mention about the resources. I am not including you as one of the resources for the country. But is it impossible to find out resources? I ask you: How much area is there in terms of tax on large houses? I suggest—you may rule it out offhand—you have conceded to the large houses in terms of corporate tax—the zero tax company—that they need pay only to the extent of 30 per cent of their pre-tax profits. If you are so tight, I suggest you give retrospective effect, make it not 30 per cent, the whole of the profit should be taxed for this year to help their friend, the Finance Minister, to get out of the crisis. I am afraid when he talks of the resources. Why? Because, already five instalments are due of dearness allowance and there will be the sixth, seventh and so on. Has he decided to deny them for lack of resources? I want him to declare that he will deny any more instalments of dearness allowance to his employees? Can you find out resources? Yes, Sir. He has experts. He has old-timers in his department. Can he stop purchase of Dornier aircraft for the Vayudoot service? Can he stop purchase of staff cars for his Government for a year? Can he stop his luxury expenditures? He says there are items of expenditure like that of Defence which he does not want to cut. But there are hundreds of items of expenditure which can be considered to be unnecessary atleast for a year. He can have his savings out of them. (*Time-bell rings*). Sir, I thank you for giving me this indulgence. I am now stopping....

SHRI JAGESH DESAI: Has your Government implemented agricultural pension or labour pension?

SHRI NIRMAL CHATTERJEE: Yes, we are paying old age pension..... (*Time-bell rings*). All right, thank you, Mr. Vice-Chairman. I am stopping now.

THE VICE-CHAIRMAN (SHRI J. P. GOYAL): Now I call Dr. Najma Heptulla.

DR. (SHRIMATI) NAJMA HEPTULLA: Mr. Vice-Chairman, I thank you for giving me this opportunity to speak on the recommendation of the Eighth Finance Commission.....

THE VICE-CHAIRMAN (SHRI J.P. GOYAL): I think you will be speaking about Maharashtra.

DR. (SHRIMATI) NAJMA HEPTULLA: It pains my heart to see here Members speaking about State and not thinking about the whole country. It is very unfortunate. It is just an accident that I was born in Madhya Pradesh. I could have been born in West Bengal. I am living in Maharashtra. But originally I am an Indian first and an Indian last. So we should talk in terms of India. All States are Indian States. It is only for the sake of administrative convenience we must have divided the country into different States. Actually we are one independent house. If one child is hungry, you would not be eating the food all by yourself. And

though the mother would give more food to a backward and retarded child, the child also should see that he develops to come on a par with everybody else. I congratulate the Finance Minister and the Government for giving us this opportunity to discuss the recommendation of the eighth Finance Commission on the floor of the House. I hope that this healthy precedent will be continued in future as well.

Secondly, I congratulate the Chairman and the Members of the eighth Finance Commission who have done an extensive exercise to study the overall picture of the country and they have made their recommendations keeping all regions, backward and advanced, in view to the best of their ability.

Prof. Nirmal Chatterjee is a great economist. I do not happen to be an economist. I am only a scientist and I look at everything from scientific point of view. I was expecting Prof. Nirmal Chatterjee to make a better speech by which all of us would be educated about better management of our finances. But I am sorry, unfortunately he did not get out of West Bengal.

When I compare the First Finance Commission and the eighth Finance Commission, I feel very proud that our country has come a long way. I will not go back that long. I will only confine myself to the recommendations of the Seventh Finance Commission and the deviations the Eighth Finance Commission has made from the earlier one.

The Seventh Finance Commission recommendations were basically for the vertical transfer of revenues collected in respect of central excise duty and the income tax. They had enhanced the revenue share of the States, but they did not pay more attention for the sharing of the resources. But the Eighth Finance Commission has paid more attention to this and have given a formula for *inter se* transfer of the money shared between different States keeping in view the backwardness or the advancement of the States.

As far as income tax is concerned, they have kept the limit at 85 per cent. As regards central excise duty, they have raised it from 40 per cent to 45 per cent. As the Finance Minister remarked in his opening remarks, the Seventh Finance Commission had given more emphasis to the population aspect and in respect of income tax they said that 90 per cent will be based on population and 10 per cent on income tax collection. Similarly in the case of excise duty also emphasis mostly was on population.

We are trying to keep our population down and it is a very healthy trend for a country like ours. Therefore, population should not be the only criterion for distribution of money. The criterion based on backwardness or per capita income which the Eighth Finance Commission has brought forward is much more progressive and easier also. It looks complicated, but if you look at it properly you will find it to be the most progressive way of distributing shares.

Another deviation which the Eighth Finance Commission has made from the recommendations of the Seventh Finance Commission is that they have adopted one criterion for the distribution of income tax and Central excise duty. 90 per cent of the Income-Tax and 40 per cent of the Central Excise Duty would be divided accordingly; 25 per cent on the basis of population, 25 per cent on the basis of the per capita income multiplied by population; 50 per cent according to the distance between the average per capita income and lower and the higher per capita income—Punjab and Bihar are taken as the higher and the lower per capita income States—while 10 per cent of the remaining Income Tax would be saared according to the Income Tax collections in the various States and five per cent out of the 45 per cent Central Excise Duty has been set aside to be

[Dr. (Shrimati) Najma Heptulla]

distributed among States which still remain deficit after the devolution of the funds. So far as devolution of the funds is concerned, the Eighth Finance Commission has taken six States including my own State as surplus States and they are Punjab, Haryana, Gujarat, Maharashtra, Karnataka and Tamil Nadu, and after the devolution of the funds, another six States become surplus, including Bihar, Madhya Pradesh, Uttar Pradesh, Andhra Pradesh and Kerala. Rajasthan will remain for two years deficit. But, after 1986, it will become surplus again.

Sir, this is for the first time that devolution is being strictly linked to the deficit by the Eighth Finance Commission in its recommendations. Also, the amount returned to the States is much more compared to what was recommended by the Seventh Finance Commission. The Seventh Finance Commission returned to the States an amount of Rs. 21,000 crores while the Eighth Finance Commission has increased, has enhanced, the total return to Rs. 38,500 crores.

Sir, no two States in our country are either equal or alike or similar, either in their resources or in their geographical position or in their historical background. I will not take up all those things for a discussion here because my friend, Mr. Nirmal Chatterjee, has taken more time of the House and I am sure there are many more Members here who would like to put forth their views on these things. But I would like to mention two States in this connection and one is Rajasthan and the other, fortunately or unfortunately, is West Bengal. I think he provoked me to take up the case of West Bengal. I am taking up these two States now. They are so diverse in their position on the map also and they are different from each other, historically and geographically. Rajasthan, I am very happy, will come out of its deficit within two years and I am happy that the Government is giving extra benefit to that State to come out of its deficit. Otherwise, it is the inherent duty of all of us to see that all our backward areas come out of their backwardness, because for the total development of the country it is very essential that all the regions should be developed together. But that certainly does not mean that those States which are backward should keep on reminding us of the character in the novel, "Oliver Twist" of Charles Dickens and keep on coming with a begging bowl and make our Finance Minister like the mean Mr. Bumble.

As far as Rajasthan is concerned, geographically, Sir, Rajasthan is deprived of many things. It is deprived of a good rainfall; no water resources are there; and it has a vast desert area. Because of the feudal system that is prevailing there, it has practically no administrative infrastructure and there is no rail or road transportation over large areas and it is very necessary that the Government should give all the assistance to that State. I am quite sure that Rajasthan must have been a highly advanced State centuries ago. Otherwise we would not have found all the remnants of a historic civilization over there. Civilizations do not grow in deserts. But, may be like West Bengal, they also did not manage their resources well or generate their resources well and, therefore, they have come to this state.

I would request the Government to give them all the assistance needed for development, for utilising or increasing their water resources, for desert development and what not. But when I think of West Bengal, it pains me, because my grandfather was from West Bengal. I feel very bad that...

3 P.M.

SHRI NIRMAL CHATTERJEE: Please remember that.

DR. (SHRIMATI) NAJMA HEPTULLA: Yes, I do. It pains me to see this. West Bengal inherited a very strong administrative infrastruc-

ture from the British it has got, geographically, the best of rainfall, rivers and water resources, the best of vegetation, it has an infrastructure of industry, they have jute industry, textile industry, iron and steel industry, and more so, Sir, Calcutta was the centre of trade, otherwise the East India Company would not have landed in Calcutta, they would have come to a village like Bombay. they did not come there. So all these things are in their favour there. The first University perhaps was founded in Calcutta. The first newspaper came out from Calcutta. But what has happened to them? Have they looked into it? There was a time when West Bengal was surplus in the production of rice. What hapepned to them- Have you loked into it? Is it not because of their own destructive policies that no industrialisation...

SHRI NIRMAL CHATTERJEE : Just a minute. When the British left they handed it over to the Congress.

DR. (SHRIMATI) NAJMA HEPTULLA: When the Congress handed it over to you it was in good shape. Have they ever realised that because of their own destructive attitude and demands and policies no industrialisation has taken place in the last ten years? No more resources have been generated. This is the mismanagement you have done. You have not done anything about it. And then you go and start fighting with the Finance Minister. I remeber, last year, in the last session only, there was a controversy about the overdraft. Still the amount was so much that it really made me interested to study the problem. What is the problem. I was really feeling because they painted our Finance Minister as a monster. Well, I do not understand how you can really paint him as a monster....

SHRI NIRMAL CHATTERJEE : He is so weak...

DR. (SHRIMATI) NAJMA HEPTULLA: As, a big monster who was throttling the neck of the economy of West Bengal by stopping the overdraft from the Reserve Bank for a meagre sun of 'Rs. 4 crores.' It forced me to study the problem. And Sir, if I put the facts before you, it was really Rs. 192 crores. They were requested by our Finance Minister through the Chief Minister and their Finance Minister who is going to take our Finance Ministry into the court to clear the overdraft of Rs. 90 crores. The ways and means limit was increased to Rs. 43.3 crores. But in spite of all the discussion, telex, messages, etc., they did not do anything. In spite of all the Plan allocations their plans are running behind schedule and in spite of that they were given extra assistance every year, for 1982-83, 1983-84, and every year they were given advances. Yet their overdraft till March 27, 1984, did not come below Rs. 192 crores. This is the situation—from Rs. 90 crores to Rs. 192 crores. Is it a question of Rs. 4 crores? It is distortion of facts. If somebody wants to close his eyes and say, 'I am looking at everything it is very surprising. And then in spite of that they have promised that they are going to generate Rs. 200 crores worth of resources from borrowings. I won't ask them to steal- But they could not do it, because the problem is that their Government started with no credibility, as whatever they thought they were going to develop they have not. There is no credibility in the market. Nobody is going to give them a penny because he knows that he is not going to get it back. That is the tragedy. And I do not blame them because they believe an ideology which is based on struggle and conflict. Unfortunately, my friends forget that in nature all development takes place with struggle in the larger concept of cooperation. This is the story of West Bengal. Now, let us see what the other friends are doing. Some of them are going the same way. Populous and, I would say, entertainment schemes of mid-day meal, rice for Rs 2 a kg....

SHRI B. SATYANARAYAN REDDY (Andhra Pradesh): It is a necessity. People are dying of hunger.

DR. (SHRIMATI) NAJMA HEPTULLA: Let me speak. I would not disturb anybody...

SHRI B. SATYANARAYAN REDDY: You go to the villages and see. You live in palaces. How do you know their hunger and their starvation?

DR. (SHRIMATI) NAJMA HEPTULLA: Sir, I very well admit that they come from the search, from the background of entertainment. They are sitting in a dark room behind a silver screen. They live in a world of make—belief. But when the lights come on and the screen is blackened, they feel the reality. I warn them that a time will come when the people will realise the realities and the hard facts. And the way the money is being used, the resources are being used, the AP Government are going to face the same situation as West Bengal. I caution our Finance Minister.

Sir, I do not know why Mr. Nirmal Chatterjee mentioned about Bhindranwale. I would only say one thing that poor Bhindranwale was the victim of his own ambition. So, please try to keep your ambitions down. Otherwise you might face the same fate. (*Interruptions*).

Sir, I would now like to make some suggestions. As far as your special grant for the upgradation of the administrative infrastructure is concerned, I congratulate you for this. And I do not really understand, Sir, why such a hue and cry is being made for the recommendations of the Finance Commission not being accepted for one year. You look at the Budget, Sir, Mr. Chatterjee was speaking such a high-flown language, I could not understand what he was trying to say. As I look at the last Budget, I feel that the recommendations of the Finance Commission's Interim Report submitted on the 14th November, 1983, do reflect in our Budget. Now, what is the difference? If you accept the recommendations of the Interim Report or you accept the whole thing, it is one and the same thing.

Secondly, Sir, I would accept the plea of the Finance Minister that he can definitely not share the surcharge and the income-tax and the other taxes because there is a growing need for our Army, for our Defence. And only yesterday we discussed in the House about the great need to improve our Navy. And that concerns everybody coming from different parties, regardless of their party affiliations or their State commitments. And in tune with this, we should have the Defence, specially the Navy come up to at least the nuclear level. Countries around us are going nuclear. And why should we not? (*Interruptions*). I mean nuclear arms.

Sir, the other thing that I would like to say is that the subsidies from the Central Government for food and for agricultural needs are very essential. And then, Sir, we have to pay interest on the loans and the borrowings that we have taken. Sir I only want to put before you in the light of the controversy which has been started about the Report of the Commission not being accepted for one year that the devolution of the revenue resources by the Finance Commission for non-plan expenditure for less than five years and leaving it to the Planning Commission to asses the financial requirements to sustain the expanded plan each year may lead to some difficulty. Why not have a permanenet Finance Commission? The role of the Planning Commission may be limited to functioning as an agency for overall investment planning and decision-making in the interest of the rational utilisation of capital resources. This is one suggestion. The other suggestion, Sir, is for a special federation fund. Sir, why cannot our Government form for the faster development of our various backward areas, a special federation fund, as we have in Yugoslavia? Secondly, Sir, why cannot our

Government think of a loans' council as they have in Australia, where they fix the borrowing limits of different States and the Centre on the basis of the recommendations of the National Development Council? Today the Reserve Bank of India monitors the market borrowings of not only the Centre but also the States and the private sector.

Sir, I would just like to make these few comments and I would definitely not like to take one hour to put across my point because I feel that if I am able to make myself understood to the people in five minutes it would be a great thing than if I would be speaking all my life and nobody would be understanding. Sir, I congratulate the Finance Minister for accepting the recommendations of the Eighth Finance Commission and I am sorry for West Bengal.

THE VICE-CHAIRMAN (SHRI J. P. GOYAL): Madam, one revelation today is that you are also originally from West Bengal.

DR. (SHRIMATI) NAJMA HEPTULLA: Could have been, Sir, if I were born there.

SHRI ALADI ARUNA *alias* V. ARUNACHALAM (Tamil Nadu): Mr. Vice-Chairman, Sir, I am happy to take part in this discussion on the Report of Eighth Finance Commission. Sir, if you go through the details of the formula and the criteria followed by the earlier Finance Commissions and the decisions taken thereon and compare the same with the recommendations of the Eighth Finance Commission, you will find that they are far from satisfactory. Moreover, the decisions taken thereon by this Government are disappointing and detrimental to the States.

No Finance Minister of any State has welcomed these recommendations contained in this report. Even the Chief Minister belonging to the Congress States have expressed their displeasure with contempt and disdain.

Mr. Chandrasekhar, the Chief Minister of Bihar, has stated that "It was regrettable that these recommendations could not be implemented from this year for technical and procedural reasons." The Chief Minister of Orissa, Mr. Patnaik, has also expressed the same opinion. Even the Government of Uttar Pradesh did not hesitate to record its protest. Sir, the Finance Minister of Rajasthan has criticised by saying that "It was not as expected".

Sir, if we see the comments of the non-Congress States, they have expressed their protest against the formula adopted by the Eighth Finance Commission. Dr. Ashok Mitra, the Finance Minister of West Bengal, has severely criticised the attitude of the Centre. The Government of West Bengal has submitted a Memorandum criticising the partial attitude of this Government. Sir, Mr. Bhaskara Rao, the Finance Minister of Andhra Pradesh has stated that " It is a negative report in all respects". Our Finance Minister, Dr. Navallar Nedunchezhian, has criticised the report by saying that "The Commission had rewarded those States which had exhibited their inefficiency. The States which exercised the financial discipline and managed their resources efficiently, did not get much from the Commission."

Sir, the Press also did not fail to point out the deficit in the decisions and the adverse affects to the financial position of the States. Sir, the winds of criticism blow hot from all directions againt the report. In the history of the functions of the various Finance Commissions, the Commission which rendered no service, no help for removing vertical imblance and disparity among the States, is none other than the Eighth Finance Commission under the chairmanship of Shri Y. B. Chavan. The fire of criticism has been fueled by the decision of the Centre that the Government has taken the decision to implement the recommendations only from the next financial year. Thus the Government has decided not to implement the recommendations of this Commission for the entire period. It is the beginning of a bad precedent. Sir, the reasons like

[Shri Aladi Aruna *alias* V. Arunachalam]

procedudral hurdless or undue disruption in the economy, as stated by the hon. Minister, for not implementing the recommendations of the Commission for the entire period are neither convincing nor acceptable.

No doubt, there was delay by the Finance Commission in submitting its final report. But the pertinent question is whether it is possible for this Government to implement all the recommendations or not. This is number one. Secondly, whether it is not desirablt to implement all those decisions, and thirdly, whether it will not affect the State Governments if this Government fails to implement the recommendations as per the formula sponsored by the Finance Commission. So the reason stated by the hon. Minister is not all convincing. Disturbance does not always amount to be detrimental to the finance. Sometimes, it is helpful. The reason for not implementing the recommendations of the Finance Commission is not what has been stated by the hon. Minister in the memorandum. It is nothing but a scapegoat.

Our hon. Finance Minister while initiating the debate in the Lok Sabha stated: 'I were to implement the recommendations of the Eighth Finance Commission from 1st of April 1984. Perhaps, three options were left to me. I should have come before this House with another taxation proposal, and I am afraid nobody would have agreed." The reason is very clear. The cat is out of the bag. In order to escape from the fire of criticism against the new taxation proposal, this Government avariciously swallowed the legitimate share of the States. This is my charge. Sir, it is unjust, unfair and unconstitutional. Owing to this biased decision, the States have been deprived of Rs. 1500 crores in devolution of tax from Centre to States. Some of our friends belonging to Congress Party are pontificating about the transfer of huge amont of net proceeds from the Centre to the States after the devolution of the amount. Regarding transfer of the amount under the Seventh Finance Commission, it was Rs. 21,000 crores. Now it has increased to Rs. 38,500 crores. It is an increase of 84 per cent. this substantial increase is not due to any increased percentage of share in taxes to the States but it is due to higher receipts of revenues and efforts of buoyancy over the last five years. The increased percentage of the devolution of taxes, in the Eights Finance Commission is less than other Finance Commissions. And I would explain it. Under the Fourth Finance Commisson, the transfer of net proceeds was Rs. 1782 crores. Then it increased to Rs. 5421 crores, an increase of 310 per cent. Transfer of amount under Sixth Finance Commission was Rs. 11,165 crores, an increase of 110 per cent. The allocation under the Seventh Finance Commission was Rs. 21,000 crores; it is an increase of 98 per cent. But now the increase is only 84 per cent. If we work out total devolution of taxes and excise duties from the Centre to the States, the percentage of allocation is gradually declining.

Under the Fifth Finance Commission, total devolution was 27.190 per cent; it was reduced to 25.90 per cent under the Sixth Finance Commission. But it increased to 26 per cent under the Seventh Finance Commission and now it has declined to 23.5 per cent. So there can be no claim for a credit. Tax on income was introduced in India for the first time in 1860 by the then Finance Member, James Wilson. In USA, the income-tax is levied by both the Federal and State Governments. Same system is still prevailing in Canada and Australia. But in our country, I think, from the days of James Wilson, the right to collect income-tax is under the absolute control of the Centre. Fortunately, the founding fathers of our Constitution incorporated article 270 of the Constitution so as to give due share to the States in respect of Income-tax after devolution. Now, be-

cause of the increased percentage of devolution, in regard to Income-tax,— the provisions of the Constitution are mandatory in this regard—the Centre with the object of preventing the States from getting their share has introduced surcharge on Income-tax.

This is a deceptive method against the States. All the States, irrespective of their political character, have demanded the merger of the surcharge on Income-tax with general Income-tax. This long-standing demand of the States has been accepted by the Seventh Finance Commission. It has said—I quote:

> "Surcharge continued indefinitely could be called an additional income sharable with the rest of the proceeds of Income-tax. Despite all these compelling factors, still, it is unfortunate the Centre is unwillling to merge the surcharge with Income tax."

Another protracted dispute is in regard to the inclusion of corporation tax in the divisible pool. In this context, I would like to remind the House that at the time of framing the Constitution, the President of the Constituent Assembly appointed an expert committee, under the chairmanship of Shri N. R. Sarkar to report on the financial provisions of the Indian Constitution. In their report the committee have said that the net proceeds of Income-tax including corporation tax, excise duty on tobacco, estate duty and succession duty were to be shared with the provincial Governments. But unfortunately, this has not been accepted by the framers of the constitution. Now, the corporation tax is absolutely controlled by the Centre. The collection of corporation tax has swelled from Rs. 39.33 crores in 1950-51 to Rs. 2,565 crores in 1983-84. This represents an increase of as much as 65 times. Sir, corporation tax is a tax on income. It is also an Income-tax. The fact whether it comes from individuals or corporate bodies is immaterial. Therefore, the States have every right to claim their due share in the corporation tax. I appeal to the Government to give us a share in corporation tax. This will not affect the financial foundations of the Centre.

Sir, no doubt, the recommendations of the Eighth Finance Commission are tilted towards the deficit States. This 5 per cent increase in excise duty is going to be shared by the deficit States. A sum of Rs. 915 crores has been allocated only to the deficit States. We have no objection to the Centre giving preference, concession, priority, to the States which are under-developed. But Sir, the criterion based on deficit Budgets, for the purpose of distribution, is not at all acceptable and tenable. It is incorrect to say that the States which are presenting deficit Budgets are all under-developed. It is also incorrect to say that the States which are presenting surplus Bugets are all developed, and prosperous. The House is aware of the fact that since 1978-79, the Centre has been presenting deficit Budgets. Does it mean it lacks financial discipline? Does it mean it is not able to control the financial matters properly? No. That is why?, Sir, I would say, a deficit Budget is not an indicator of backwardness. Therefore, it cannot be considered as a criterion for assessing the backwardness of a State.

Sir, the new formula evolved by the Finance Commission for the purpose of devoluation has given much weightage to the per capita income and the total population of the States. It has utterly failed, to see the seriousness of the situation in the context of increasing unemployment. It has failed to consider the percentage of unemployment and the percentage of people living below poverty line. According to the report of the Eighth Finance Commission, Tamil Nadu is a surplus State. The problem of unemployment in Tamil Nadu is serious. Fifty-three percent of the people live below poverty line and still you say that it is a surplus State What has been done by the Finance Commission for uplifting the weaker sections? So, my request is that this criterion should be given up. Be-

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cause of this formula Tamil Nadu has been deprived of Rs. 400 crores in this year.

It is my duty to remind this House that our share in devolution of net proceeds to Tamil Nadu is gradually declining. Under the Sixth Finance Commission, in devolution in Income-tax we received 7.94 per cent. It increased to 8.050 per cent under the Seventh Finance Commission. Now it has reduced to 7.565 per cent. Regarding the share in excise duty, under the Sixth Finance Commission we received 7.43 per cent. It increased to 7.641 per cent under the Seventh Finance Commission and now it has reduced to 7.317 per cent. The net effect of all this is that the total allocation made to our State, after devolution, has declined from 7.21 per cent to 6.25 per cent in terms of money. Had the formula of the Seventh Finance Commission been adopted, we would have received Rs. 2840 crores, but now the estimated grant is Rs. 2443 crores. So, we have been deprived of Rs. 400 crores.

This House may agree with me that the sources of income to the States are neither elastic nor buoyant. In imposing the new taxes or increasing the rate of existing tax, States have reached the saturation point. At the same time, the responsibility of the Centre in fulfilling the needs of the public have taken a new turn, but the Centre which is enjoying the luxurious power without realising the increased responsibility of the States is very often attempting to castrate the remnant sources of the States.

In 1957 the Centre replaced the sales tax by additional excise duty on textile, sugar and tobacco. Owing to this replacement the loss of income to the States was very heavy. States were almost taken aback by the false promise of the Centre. Now the Centre is gearing up to replace the sales tax by additional excise duty in respect of vanaspati, drugs, cement, paper and petroleum products. Our hon. Chief Minister, Puratchi Thalaivar Dr. M.G.R. has opposed this move tooth and nail along with other Chief Ministers. The attempt of the Centre to replace sales tax by additional excise duty is a fraudulent way of seizing the absolute right of the States on sales tax.

Sir, in a federal set-up relationship of partnership between the Centre and States is essential to keep the federation useful, fruitful and successful, but unfortunately, the Centre is always playing the role of a master, making the States supplecant. The States have been reduced or demoted to a position of Oliver Twist. They ask for more with begging bowls. This is the pathology of our federal system.

Therefore, I record my protest for the formula evolved by the Eighth Finance Commission and the decision taken thereon by this Government. With these words I conclude my speech.

SHRI BIJOY KRISHNA HANDIQUE (Assam): Mr. Vice-Chairman, Sir, I am grateful to you for giving me an opportunity to speak on the Report of the Eighth Finance Commission.

Sir, even though it is a constitutional obligation on the part of the Centre to transfer reasources to the States in an equitable manner to meet the growing needs of development, we should bear in mind, as stated in the Report itself of the Eighth Finance Commission, that "the crux of the problem is that resources are limited and the needs of the States are enormous." So by keeping a balance between the national priorities and responsibilities and the States needs for development, the actual norms of devolution can be envolved. These norms have to be fixed on the basis of a realistic assessment of the situation and not by reading political or partisan meanings into the recommendations of the Finance Commission. There is no such thing called anti-State or pro-State or anti-Centre or pro-Centre. The knowledge about the quantum of national resources and the Centre's requirements to discharge its responsibilities in the spheres of

expenditure on defence and subsidies on food and fertilisers and interest payments is an open book. There is no hide and seek about it. These items alone absorb nearly half the Centre's revenues and out of what remains with the Centre about 37 per cent is at present being transferred to the States. And this is not all. There are divergent demands from the States—both backward and advanced States. The most intriguing question, as has been rightly stated in the Report, is how to reconcile the need to accelerate the development of a backward State without hindering further the development of an advanced State. In this Report we must not fail to take note of the weightage given to the backward States. This has no doubt been a persistent demand over the years, yet we must take note of it and as I come from a very backward state, naturally I shall revert to this after some time, in course of my delibration.

Thus the whole question is to be viewed in the context of the national resources constraints, the Centre's national obligations and the States divergent demands. The limitation of resources cannot be wished away, just as the overdrafts of the West Bengal Government cannot be wished away. Mr. Nirmal Chatterjee is not here. If some State Governments like West Bengal have developed an intrigue fixation arising out of the overdrafts complex they should bear in mind that as far back as in 1974, the then Union Government directed the Reserve Bank not to grant overdrafts to the State Governments beyond their credit limits. This is nothing new. That was done long ago in 1974 and now they the making a sort of hullabaloo about it. For the first time the then Finance Minister exhorted the States to make strenous efforts to achieve self-sufficiency by raising funds from areas hitherto unexplored fully. Since 1950's it is evident that the States have been mainly dependent on the Centre for their financial requirements and with the spectecular expension responsibilities—social, economic and political —more and more States have found that their resources are inadequate. This is evident from the rising trend in the transfer of resources from the Union to the States. Sir, I quote from one table—about Central aid to States between the First Plan and the Fifth Plan. In the First Plan through Finance Commission it was Rs. 447 crores and through Planning Commission it was Rs. 880 crores. And in the Fifth Plan, it was through Finance Commission Rs. 9609 crores. Then again from other sources it was Rs. 104 crores in the First Plan. It was Rs. 104 crores in the First Plan, and by the end of the Fourth Plan it went up to Rs. 5,307 crores. Thus, even a cursory glance at the table would reveal that the resources allocated to the States by the various Finance Commissions have been increasing from Plan to Plan in an overwhelming manner. So, Sir the question of discriminating against the States shouldn't arise and cannot arise.

It is also very unfortunate that the whole issue of distribution of resources between the Centre and the States has been put in a wrong light. The Sixth Finance Commission has rightly said—and I quote:-

> "Distribution of available national resources is as between different sectors of development rather than between the Centre and the States in dealing with the Plan outlays."

Sir, I would like to go a step further. Here I would like to quote an article which appeared in the Journal of the National Council of Applied Economic Research. It says:-

> "There appears to be no valid ground for the contention that the distribution of tax revenues between the Centre and the States is biased against the State. On the contrary, there seems to be sufficient evidence that whatever the reasons the States do not exploit their resources for tax revenues as diligently as

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the Centre does. Further, when total revenues accruing to the States and the Centre are considered, the States have an edge over the Centre because for every one per cent increase in the national income, a larger percentage increase in revenue accrues to the State. So, the State does seem to benefit more from the effort made by the Centre than the Centre itself does."

And one cannot deny that it is the reluctance or the lack of political will on the part of the State Goernments rather than non-availability or inelasticity of suitable sources of revenue that accounts for the inadequancy of resources. To substantiate this contention, I again quote the Sixth Finance Commission:

"We have not exploited fully the potential for resource mobilisation and feel that if the State Governments had been less reluctant to tap the rural sector and, particularly, if they secured reasonable returns on investments in irrigation and power projects, the States' revenues would have grown at a faster rate."

This observation of the Finance Commission indicates that there is much room for resource mobilisation in the States. The Sixth Finance Commission mentions that on three fronts resources can be mobilised—(1) by taxing agricultural wealth and income, (2) by raising water rates, and (3) by increasing the tariff on electricity. As regards electricity, of course, it is now being left to the States to tap the sources to whatever extent. We have yet to see how Mr. Nirmal Chatterjee's State reacts to that, whether it gives more power famine or less power famine to West Bengal Anyway, we have to agree that it is rather the Finance Ministry's reasonable view on the basis of which the seventh and eighth Finance Commissions have recommended that during the forecast period the entire excise duty on electricity will be distributed among the States so that each State gets an amount equal to the collection in or attributable to the State. However, Sir, regarding taxing of agricultural wealth and income and raising of water rates, well, I would like to refer to the Raj Committee's recommendations. Whether it was the Raj Committee or Commission, I do not remember exactly. It suggested agricultural holding tax and upheld the view that the water supplied by irrigation projects at a subsidised price or at a price at least cover the cost. So such facilities, according to the Raj Committee, need to be extended only in the early stages. Sir, the irrigation Commission also had long ago pointed out that the water rates in vogue in certain areas were mere fraction of the produce of the area benefited by irrigation. But regarding resource mobilization we have to admit that so far the States have failed, whatever might be the reasons. At the same time, the Government also should take into consideration that it should aid the States, particularly the deficit States, in their efforts to mobilize resources.

Sir, I refer to a few problems of my State, of Assam. We have oil. We have tea. I think it is the second largest foreign exchange earner for the country. Regarding oil, till today we have been demanding that crude oil royalty should not be below at least Rs. 3,00 but it is far below that mark. We were expecting that soon the new crude oil royalty will be announced. We look forward to it. And then take the case of tea. You will be surprised to know how the State of Assam has been deprived from sales tax and some other taxes. All the head offices are located not in Assam. They are elsewhere. Taxes we do not collect. Then again this tea auction market was started about 10 or 15 years ago. I do not remember the year precisely. Still it is not developed as it should have been Still it is not a first class auction market. And not only that.

I was shocked the other day when I went to the Tea Board office in Calcutta. The Tea Board had made a proposal, to which the Government of India had agreed, that there should be a Regional Office of the Tea Board at Gauhati. We produce the biggest quantity of tea in Assam. Very reasonable that a Regional Office of Tea Board should be set up at Gauhati. But when I went to the Board office I saw the entire office flooded with posters resisting and opposing the opening of a Regional Office at Gauhati. I congratulate the Government that it did not yield to such pressure and it has been opened and it has been functioning at Gauhati since the last one month. This is the way how the trade unions protests make a mess of country's or a particular region's development. Unless such constraints are removed, how the State can mobilise resources.

Sir, before I conclude, I refer to the weightage given to the backward States by the Eighth Finance Commission. Sir, for the first time, a formula to give weightage to the backward States has been evolved. Those who discover in the process of transfer of resources only Centre's apathy should note that the Finance Commission had to protect the backward States from the mess of divergent demands and interests of other advanced States. Sir, it is true that from the Third Finance Commission onwards every Commission has been trying to give weightage to the backward States in some form or the other though in varying proportions. But, Sir, it is however, for the first time that the Commision departed from the normal practice and recommended a common criteria for the devolution of income-tax and excise revenue which would bring about a more justifiable devolution of resources in favour of the poorer and backward States. Sir, on calculation, of course, it would be found out that the shares of the States in the net proceeds of income-tax remains unchanged at 85 per cent. But the share in the Union excise duties rises to 45 per cent and a common formula has been devised for the distribution of 90 per cent of the States' share of income-tax and Union excise duties. Ninety per cent will be distributed by the popular criterion modified by the levels of the per capita income and the levels of underdevelopment or development of the State. The formula is designed to improve the percentage share of the poorer and less developed States. And the share of 10 per cent of income-tax will continue to be distributed on the basis of assessment attributable to the States. The balance excise duty that is 5 per cent will be distributed to those States which have deficits after taking into account their shares from the devolution of taxes and duties. It is also true that even after that we have found—the Commission has also found—that some States, numbering ten will be deficit. So the Eighth Finance Commission has recommended deficit grants to cover their non-Plan revenue gap.

Thus judged by this formula, let us see how a backward State, will benefit Well, I take the case of Assam, I refer to my own State. Well I am afraid, Sir, you asked the members not to dwell on their States problems alone I cite the case of Assam because it is a typical case. It is a backward State. Just for an example, I place it before you, how, applying this formula the Commission gives weightage to the backward State. Sir, applying this formula, Assam will receive—I have worked out—from the Centre by way of share of taxes and duties Rs. 1,251.67 crores as against Rs. 496.94 crores under the Seventh Finance Commission. Again, Sir, there will be a non-Plan revenue gap after the devolution of taxes and duties. It will come to about Rs. 192.79 crores.

The Seventh Finance Commission did not recommend any amount under article 275 to cover Assam's non-Plan revenue gap, as according to the Commission, Assam was assured as a revenue surplus State. The Eighth

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Finance Commission has, however, recommended Rs. 215.48 crores to cover the non-Plan revenue gap of Rs. 192.79 crores, thus giving thereby a surplus of Rs. 22.69 crores. This is how a backward State has been benefited by this, the Eighth Finance Commission's recommendations.

I do agree that here is a lot to be done. Probably, one cannot be absolutely happy with the recommendations. But what we have seen, as I have already shown, is that it has been progressively increasing from Plan to Plan, from one Commission to another Commission, not in an insignificant way but in an overwhelming way. Whatever recommendations have been made by the Eighth Commission, let the Government implement them, and let us see how it goes.

Particularly I am grateful that the backward States, from one of which I come, have been helped and benefited by the recommendations.

Thank you.

THE VICE-CHAIRMAN (SHRI J. P. GOYAL): Mr. Gurupadaswamy.

SHRI M. S. GURUPADASWAMY: Sir, before I take up the important recommendations of the Eighth Finance Commission, may I with your permission refer to three small points.

Firstly, I am a bit worried about the approach of the Central Government in setting up the Finance Commissions of late. As you know, Sir, in the past when Pandit Jawaharlal Nehru was the Prime Minister and when Lal Bahadur Shastri became the Prime Minister there was no politician in the Finance Commissions. The composition of the commission was from the expert people who knew finances and economic developments; and who were the Judges of the courts. In brief the Commissions were manned by very competent and knowledgable persons but not by politicians, however, much they were knowledgable or competent only of late, after the death of Nehruji and Shastriji we are having politicians being appointed as the Chairmen of Commissions. I do not think that it is a very healthy development. I am not making this remark as a criticism. I am making this observation so that in future at least when we appoint Finance Commissions we should only appoint those persons other than politicians. That will free the commission from any attacks from any side on political grounds. Perhaps it will ensure greater impartiality in its recommendations.

My second point is, Sir, the commissions have got to be appointed well in advance so that the reports may be made available in time. Today, my friend the Finance Minister has taken shelter under the argument that the report of the commission came rather late, therefore, it was unavoidable for him to implement the recommendations of the commission from next year, not from this year. I know, Sir, the Commission's report is not a scripture; it is not the holy Bible. But, at the same time, we should honour the conventions that we have built up for the last 30 years. There was never a time in the past when, even when the report of the Commission came late in a particular case, the Government of India avoided implementing the decisions of the Commission from that year. Only this year there has been a departure, a very unhealthy departure. I, for one, would think that if the Finance Minister had made up his mind to implement the recommendations of the Commission this year itself, he could have done it. The procedural and technical problems would not have been very insurmountable. Even now, Sir, if he wants us to believe in his *bona fides*—I do not question his *bonafides*—he should transfer this amount of Rs. 1,500 crores, which is due to the States under grant-in-aid. Grant-in-aid provides a conduct a very convenient conduct by which we can allocate funds to various States according to their needs and demands. This he has got to do.. Merely saying that he has al-

ready transferred about Rs. 1,000 crores under different heads will not convince us. After all, what is the saving for him? Only Rs. 500 crores. Therefore, my submission is that he should transfer this amount to the States under different heads so that there need not be any criticism, so that he can maintain the good conventions that we have already set up in this regard.

Thirdly, the Commission has averred that it would be a better practice to have a permanent mechanism. They have even suggested that the Government of India may think of having a permanent Finance Commission, if it is feasible. I commend this recommendation of the Commission to avoid future embarrassments to the Centre or to the States and to ensure continuous monitoring of the spending of the resources allocated among the States. There may be a permanent Finance Commission or, in the alternative, there may be a Finance Division in the Finance Ministry, as suggested by the Finance Commission. Likewise at the State level also, there may be Finance Division or a Cell in the Finance Ministry, so that there may be a sort of continuous contact between the Finance Commission or Division and the Planning Commission. Sir, it is very necessary to synchronise the planning process with the finance allocation process. And the profile of the Plan has got to be known in time with a view to determining the resources necessary and the requirements for each State. Unless the profile is known, it would be very difficult for the Finance Commission to go on with its task. It will vitiate its findings. Therefore, my submission is that in future at least, the Central Government should agree for synchronising the recommendations of the Finance Commission and the Plan. Both the activities have got to be synchronised.

There are a few other points which I would like to refer to. We have been having Finance Commissions since the last 30 years and this is the Eighth Finance Commission. The picture, the situation, that was faced by the preceding Finance Commissions—the seven Finance Commissions—was substantially different from the situation that the Eighth Finance Commission was faced with. When the seven earlier Finance Commissions were constituted the Central Budget, by and large, was balanced. There was a better financial management at the Centre. I don't say it was a wonderful management. But there was relatively a better management, a better financial discipline, and the Budgets were rather, more or less, balanced. But when the Eighth Finance Commission was set up the picture was different, the situation was varied. For the last six to seven years, since 1977 onwards, continuously, the Centre itself is faced with a financial crisis, huge deficits, and the country, as you know is confronted by the escalating inflationary potential and price instability. So, the Eighth Finance Commission had to contend with this factor. The other Finance Commissions did not have this kind of a problem. Therefore, the reasons why the Finance Minister is so anxious to deviate and grab one year of allotment, allocation, due to the States and keep it for the Union is due to the fact that the Centre itself is in the red. The States are in the red and the Centre also is in the red. There is pervasive, insidious, financial indiscipline and irresponsibility at all levels in the country. Government are not able to manage the finances well. The situation is chaotic. It is in this atmosphere that the Eighth Finance Commission had to function. Though they have not admitted these things in the report obviously—they cannot—but they have taken note of these factors indirectly. If you take pages 36-37 of the report you will find in the case of income-tax and also in the case of excise duties, there is progressive decline in collections, there is erosion of revenue. All the earlier indications and expectations, were belied; all the assumptions proved wrong. There was decline of income-tax collections there was erosion of excise revenue vis-a-vis expectations. And, therefore, the Centre has to contend with these facts,

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and according to the figures by the report itself, the growth rate of excise revenue—except in the year 1981-82 when there was an increase of 8 per cent—came down to 3 to 4 per cent in subsequent years. And during this period, you know, bearer bonds were floated because adequate finances were not available with the Centre. And as a result nearly Rs. 1,000 crores were collected from black-marketeers and profiteers. I do not want to go into the right or wrong of it just now. But I have to refer to that factor. If the Centre is very keen about proper, fair and just allocation of resources between the Centre and States, and if the Finance Commission also had been realistic, they should have taken this amount also into consideration for financial devolution.

Then compulsory deposit scheme has been there for some years now. The Centre is taking the entire amount under this scheme. I think from the point of view of equitable sharing, they should have taken into account this also because it is in the nature of public borrowings. Both this and the realisations under the bearer bonds should have been taken into the divisible pool.

The Hon'ble Member from Tamil Nadu referred to corporation tax. It is a direct tax. I think in the year 1959 under the Income Tax Amendment Act, the corporation tax was taken out of the Income-tax Act. Since then an artificial dichotomy was created and only in the case of income tax the States were given their share. In respect of corporation tax which is growing, States have been denied their share. As you know, income tax falls on individuals and, therefore, the elasticity of tax on individuals is very limited. It is so throughout the world. The elasticity of corporation tax is flexible. The purpose of taking it away from income tax is only because the Centre is not interested in sharing this corporation tax, which is elastic with the States.

Incidentally, may I also say a word about the real grievance of States? The real greavance of the States has been that they have been given inelastic source of income tax. Secondly even here, the Centre is encroaching upon the State sector. Sales tax is a case in point. The Centre has also taken over certain commodities for imposing additional excise duty. It is thinking of taking over more commodities in future. It is enlarging its net. Commercial tax revenue which was available in respect of various commodities to the States is being abridged. There is a growing shrinkage of the area from where taxes are collected by the States. This was not there before. This is a new phenomenon. There is a progressive encroachment on the States' jurisdiction of financial powers.

AN HON'BLE MEMBER: It was with the consent of the States.

SHRI M. S. GURUPADASWAMY: I am aware of that. But you cannot rebut this fact. Sir, the Eighth Finance Commission has assumed certain things which are not very realistic. One assumption is that the public sector undertakings at the State level, in future, will yield a surplus. But there is no basis for this assumption. We have been seeing the operation and the working of the public sector undertakings in the States for the last thirty years and they have been working under losses. There may be some gross profit, but there is net loss only.

SHRI JAGESH DESAI: They have been making profits and the profit is about Rs. 1,500 crores.

SHRI M. S. GURUPADASWAMY: Let me tell you how it is, After depreciation and after payment of taxes, etc. it is only net loss. I know it. I am also aware of these things and I am also acquainted with the financial affairs.

Talking of the 144 commercial and industrial undertakings, the Eighth Finance Commission has referred, at page 37, under the publication of the

Bureau of Public Enterprises for the year 1982-83, it is stated that out of a total investment in equity of Rs. 13,121 crores in 1982-83, a net profit of Rs. 1,517 crores was made by 82 enterprises. But the remaining companies incurred loses amounting in all to about Rs. 821 crores. At the end, Sir, the Report says, in the last para, that the Central Government received a return at the rate of 0.84 per cent on an investment of Rs. 13,121 crores in equity. Sir, this is the performance of the public sector. The assumption by the previous Commision, *i.e.*, the Seventh Finance Commission, was that there would be a return of 7.5 per cent which was not correct, according to this Report. And Sir, the Planning Commission has assumed a return of 8 per cent return which proved to be not realistic. Now, the Commission assumes, in para 4, on page 37, that the return would be about 6 per cent during the forecast period. I do not know on what grounds or on what basis this assumption has been made. judging from the point of view of the past. I do not think that this is a realistic assumption. I say this because the forecasts have been made which perhaps may not true and the Central finances may continue be in disarray as they were in the past. That is my point. My main contention is that both the Centre and the States are in a very great financial crisis. Unless and until more discipline is brought about, better norms are adopted and better standards are maintained in financial matters, we will be going from bad to worse and our planning processes will suffer and there will be a progressive erosion of planning, progressive erosion of development, and the results will be far from satisfactory. That is what I say.

Sir, the Eighth Finance Commission has, as some Members pointed out, improved the situation by evolving new criteria. They have laid down two important criteria and the one is population and the other is backwardness. They are important. But let me also point out one thing. We talk loudly that we give incentives to those States where the performance is higher, standards are higher and the afficiency is higher. I do not see anywhere in the Report that incentives are provided for better performance. efficiency. modernisation and better growth rate. And we have been talking about it. When I come to the Plan Document tomorrow or the day after I will talk about that aspect. Weightage has been thought of to alleviate backwardness I admit it, there is also no dispute about that. But, at the same time I say that there has to be a package of incentives for States which have done well. Take the case of Karnataka. I do not want to appear to be parochial. The case of Karnataka comes hand because I know the State. According to the Commission's Report Karnataka does not get anything at all under 5 per cent excise duty. Five per cent excise duty goes to backward areas. Karnataka Government does not get anything at all there. And then the Karnataka Government will not get any thing from the amounts allotted for improving the revenue deficits of other States because Karnataka has a surplus revenue account. And Karnataka Government will not get anything for the upgradation of administrative services and special problems because Karnataka has done well. Then, only a small amount will go to Karnataka to meet the margin money requirements. Beyond that Karnataka Government does not get anything at all. My point is this. You talk of the modernisation. The Commission also talks of the modernisation of the administration. I think my friends and colleagues from all sides will agree with me that the whole country's administration requires modernisation. (*Time bell rings*) We required modernisation at the Centre. Every State Government administration has got to be modernised. The 19th century administrative machinery cannot meet the 20th & 21st century needs. We have inherited a colonial administrative set-up Whatever modernisation we are talking about, in respect of certain

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States is no modernisation at all. It is a mouth-eaten effort to correct here and there. The whole administration at the State level and the Central level has become rotten and out moded. You have created out of bureaucracy a monstrosity by which you hope to bring about radical social and economic transformations in this country. Let me tell my frienas here, the radical social, change and economic transformation can be brought about only when we bring wholesale changes in the administrative set-up. At no level do we have a competent, efficient, modern looking, forward-looking administration. Whatever little money we have spent for modernisation of administration in a few States is very meagre, a drop in the ocean. In fact is no modernisation at all. Bureaucrats have become irresponsible. They live in isolation is ivory towers. They have not been translating our ideas and programmes into reality. They have not been responsive to the wishes and desires of our people. Unless and until we restructure the administrative system, modernise the administrative structure, correct the bureaucracy and make them accountable not only to Parliament but to the people, I am afraid we will not be able to achieve economic results and developmental needs of this country. Whatever may be the allocations to the State Governments, whatever may be your allocations to various industries, whatever may be your investment at the Centre, let me tell you that your financial plans will not yield anywhere anthing. And the hard-earned freedom we got will be destroyed by the inefficiency and the corruption of the bureaucracy. Therefore, Sir, when you talk of modernisation, you have got to be very wary and very careful. I feel the time has come, before you launch the Seventh Plan, we should set the official machinery in order; discipline them, make them responsible. The so-called IAS and IPS officials suffer from two major evils. One is ignorance and the other is arrogance. They suffer from both. Unless the bureaucrats and made to behave, unless the administration is made flexible and responsible and accounntable not only to the Government but also to the people, I am afraid, all our Plans will go away. Thank you, Sir.

SHRI ANAND SHARMA (Himachal Pradesh): Mr.Vice-Chairman, Sir, I thank you for this opportunity given to me to speak on the recommendations of the Finance Commission. I am here to support the Motion moved by the hon. Finance Minister.

Sir, the speakers before me have spoken about the importance of the Finance Commission as well as the recommendations made by it. The Government has always been fully aware of the importance of the Finance Commissions as is evident from the fact that men of stature, eminent personalities have always been asked to head the Finance Commissions, and the recommendations of the Finance Commissions have always been taken seriously.

Sir, the recommendations of the present Finance Commission are progressive, fair and realistic. A few innovative changes have been made in the quantum and principles of the transfer of resources between the Union and the State. The Commission has apparently been guided by the considerations of fair and equitable distribution of national resources between the States, particularly the principles of uniform development, and development of backward areas in the country the far-ruling remote areas and the hill States which have not so far fully enjoyed the fruits of development after independence because of the magnitude of the problem or because of the geographical difficulties faced by these States.

Sir, ours is a federal system. And in a federal system, it is ensured that the national wealth or the national resources are shared by all the States. And as it is, there are States which are less developed, which are less

affluent, and there are States which are more developed or affluent. Therefore, Sir, the States which are backward deserve special consideration, special attention. And the same has been done by the Eighth Finance Commission. Backwardness has been given weightage, and backwardness has been kept in mind by the Members of the Eighth Finance Commission while making their recommendations. There has been a constant increase as far as the States' shares are concerned, ever since the First Finance Commisison whether it is the States share of income-tax or excise duties, it has been constantly on the increase though some States may complain— as my friends there say—that it has not been adequate or it is not enough to meet the requirements of the States and for which, Sir, definitely there are other provisions in the Constitution in the form of grants-in-aid which have been frequently resorted to and there are various other measures through which these problems can be looked after.

Sir, there are some notable features in the recommendations of this Finance Commission, and I congratulate the Chairman of the Finance Commission for making these recommendations.

The devolution to the States has been increased considerably. In the Seventh Finance Commission the States were to get from Rs. 21,000 crores and in the recommendations of the Eighth Finance Commission an increase of over 80 per cent has been made and the States will be getting 38,500 crores. This is a sizeable increase and it is definitely going to accelerate the pace of development all over the country in all the States irrespective of any region or the party which is in power there. The devolution could not have been more as has been said by some of the friends in the opposition. Every nation has its own limitation, the limitation of resources.

THE VICE-CHAIRMAN (SHRI J. P. GOYAL): Mr. Sharma, you are not audible from there, can you come forward near the mike.

SHRI R. RAMAKRISHNAN (Tamil Nadu), The mike is not working.

SHRI ANAND SHARMA: Sir, what I have said so far, has it been audible?

Sir, there are some notable features, as I have said, in the recommendations made by the Eighth Finance Commission. The devolution to the States—I hope that they have the figures—has been enhanced considerably. The Seventh Finance Commission and given some Rs. 21,000 crores to the States whereas, as per the recommendations of the Eighth Finance Commission, an amount of Rs. 38,500 crores has been earmarked for the States, in increase of over 80 per cent on the recommendations of the earlier Commission, and this is definitely going to accelerate the pace of development in the country, and as I said, the devolution to the States could not have been more. There are certain factors which have to be kept in mind and the Commission also had before itself certain considerations such as the defence and the border security, the requirements of the non-Plan expenditure keeping in view the policies and the priorities of the nation. Similarly the existing pattern of Central assistance for the Plan and in such circumstances of devolution could not have been more and what has been given is commendable, is praiseworthy and I congratulate the Finance Minister and the Finance Commission for it. I also congratulate the Finance Minister for accepting the recommendations of the Commission. Liberal grant have been made to the States as per the recommendations of the Commission. The share of the excise duties as has been said earlier by my friend, has been increased to 45 per cent from 40 per cent. The increase of 5 per cent is a sizeable increase and it is to be distributed among these States which suffer from deficit and the distribution amongst such States is also to be made on the proportion of the deficit suffered by these States. This is one aspcet which has been guiding the Finance Commission, apart

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from the backwardness of the area and the financial problem of different States. Similarly, Sir, the deficit States have also been gven 5 per cent of annual growth as revenue gap grants which again is a notable feature and the guiding factor of allocation is also worth noting, because less weightage has been given to population. only 25 per cent weightage has been given to population whereas in the past 90 per cent weightage was gives to population. Twenty-five per cent of weightage has been given to the per capita income and that is the most important and significant contribution made by this Commission and its recommendations.

As far as weightage to backwardness is concerned, there is the distance formula adopted which is a very important recommendation. Fifty per cent of weightage is now to be given as per the proposals, to the distance of average per capita income of a State in the preceding 3 years, which has the highest income compared to a State which has the lowest income. This criterion of per capita income is the proper one to assess the backwardness as well as capacity of a State on resource mobilisation.

As has been stated in the recommendations, when we talk of deficit States and surplus States, there are six States which have been declared surplus States, Punjab, Haryana, Karnataka, Maharashtra, Tamil Nadu and Gujarat, and after the devolution, 5 more States will become surplus, and Rajasthan too will join the list of surplus States in 1986. This speaks of the development which has taken place in the country. Only 10 States will remain deficit States which are mainly backward States, like the hill States but this list also includes the State of West Bengal, besides the hill States, the North-Eastern States which are genuinely backward.

[The Vice-Chairman (Shrimati Margaret Alva) in the Chair.]

And those States have rightly been included in the list of deficit States. But the fact that West Bengal too has been included, speaks only of the fair and just approach of the Commission and the special consideration which has been given to a State where the State Government is guilty of mismanaging the finances and resorting to wasteful and unnecessary expenditure, accusing in turn the union Government or the Finance Minister for its own lapses.

The new formula based on the distribution among deficit States directly linking devolution to deficit, is another significant thing. Similarly there is a provision for grant-in-aid. in lieu of railway passenger traffic. Government has accepted recommendation of the Finance Commission to raise the grant from Rs. 23 croses to Rs. 95 crores. There is also provision of grant-in-aid States suffering from fiscal gap; but some consideration of resource mobilisation by the State has to be there, the management of public sector enterprises and the state of economy in that particular State. Similarly, grant-in-aid for upgradation of standard of administration is very important and was much needed, particularly in the field of education, heolth and administration. As has been mentioned rightly in the Commission's report, over one-fourths of the schools in the country still have only one teacher. ;Provision of special grants by which 16 States will be getting around Rs. 914 crores for the upgradation of standards of administration, is a very valuable contribution to ensure uniformity in development of the backward regions which will enable the poor people living in the far-flung areas, particularly the border States or the hill regions, to enjoy the fruits of development.

The problems faced by the hill regions which are of a special nature, have been considered by the Finance Commission. As a person coming from a hill State, we are grateful for these recommendations, particularly, those which have been made for the purpose of construction of roads etc. The

fact that the expenditure on development in the hill regions is much more than that in the plains has also been considered and due weightage has been given. My friend, before me had spoken about the assistance given to the hill States, There may be some friends who may criticise this special assistance or this weightage given to the backward regions or the hill States. But not only we welcome it; not only we support it but we defend it also. Particularly, a State like Himachal Pradesh requires much more. As far as the grants-in-aid for relief expenditure are concerned, the State definitely requires more.

In the past few years, we have been suffering from drought and hailstorms. Horticulture, specially fruits, is the only source of economy as far as this hill State is concerned. We certainly require much more. Take, for example, the hydel projects. The Hill States, particularly, Himachal Pradesh, have tremendous hydel potential which, if harnessed can help the neighbouring States, or, as per the assessed potential, the entire Northern India. When any assistance is given to a State, then any grant is given to a State, the future state of the economy or the capacity of resource mobilisation is an important factor to be considered and this is the only way in which the hill States can mobilise resources. Besides the construction of roads, equal importance has to be given to the construction of airports in the border hill regions This has been done in the North-East. This has been done in Jammu and Kashmir. But this is still to be done in Himachal Pradesh. I think a proposal is there for Simla Airport. This is the only important State capital. I would say, keeping in view that this is a border State which has not been linked by air. I would suggest that the work on this should be expedited.

I will not dwell more on the recommendations of the Commission. I will only say a few words about the criticisms which have been made by my friends sitting there in the Opposition. We have been accused, the Government has been accused, of undermining the importance of the Commission. As I said earlier, this is not so and this can be proven from the fact that we are discussing the recommendation of the Commission in advance. In the past, the practice was that the Finance Commission's recommendations were discussed only when the Bill given effect to these recommendations was moved. But this time we are discussing the recommendations in advance. Sir, these Finance Commissions have been headed by eminent people, men of stature. Tthe Eighth Finance Commission was headed by Shri Y. B. Chavan, who had rich experience as the Finance Minister of India. The Seventh Finance Commission was headed by Shri K. Brahmananda Reddy.

The friend who spoke before me questioned the justification of selecting politicians to head the Finance Commissions. Now, this is a strange argument. This is strange criticism. Does it mean——did he meant– that politicians are incompetent people. This certainly also includes the Member who made this criticism because we all happen to be politicians. If we say politicians should not be chosen do you mean to say that politicians are indifferent to the requirements of the nation? Are politicians not aware of the problems faced by the people in this country?

Are they not aware of this requirement of various States? This is, I think, a strange criticism which has no sound logic or justification.

Another criticism which has been there is about the implementation of the recommendations of the Finance Commission. The Finance Minister has been accused by my friends in the opposition of doing a grave injustice by not going in for the implementation in the current financial year. There again is a very interesting situation. The Finance Minister in his opening

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remarks has rightly explained the reasons why the same could not be implemented this year. That is because of the delay in the submission of the report of the Finance Commission. Now it is a fact that an interim report was made available in November and the recomendations made in the interim report were accepted, were considered by the Government and the same are clearly reflected in the Union budget for the current financial year, still our friends insist that it should have been done even after four months. How is is possible, I want to know? The State plans are in operation. More than 4 months have passed. Is it possible to disrupt the entire planning process? Is it possible to redraft each and everything? I believe, it is certainly not possible to implement the recommendations in the current financial year. Also the amount which is involved is not small. It is around Rs. 1400 crores. Had the Finance Minister accepted their suggestions, the question would have arisen, how to meet that amount. Had the Government gone in for fresh taxes, again the attack would have been there. Had it resulted in an increase in the deficit, again the attack would have been there. I feel that even if an opportunity is given to them they will not be in a position to handle the situation. I am quite sure about it. We know of their failure in synchronising the Five Year Plan with the period of the recommendations of the Finance Commission. (*Time bell rings*). Just a couple of minutes, Madam. The effort is there to synchronise but in case it is not done the fault is not that of the present Government. Who were there when the entire planning process was abandoned, when the concept of rolling plan which proved to be a stillborn child was introduced? That is certainly the reason for the present imbalances. That is why synchronisation cannot be possible.

One fact which has been ignored by our friends in the opposition is the 10 per cent step-up in the Plan assistance which amounts to Rs. 600 crores and also the overdrafts of the States which have been adjusted, that amounts to Rs. 500 crores. So this amount of Rs. 1100 crores which has been made available by the Finance Minister has certainly not been appreciated.

Before concluding I will refer to the talk or the unfortunate controversy about the Centre-State relations. Whether it is the union budget, whether it the Finance Bill or the recommendations of the Finance Commission, our friends in the opposition would like to jump and rake up this controversy which has done incalculable damage to the nation as such. As far as resource mobilisation is concerned, the guiding factor which has always been there even if the resources are mobilised by the Centre, the spending has been with the States. Even if there are Central projects, those projects come up in different States. It is the States which benefit, it is the nation which benefits. And by accusing the Centre or by questioning the resources which are there with the Centre, I think they are preaching the weakening of the Union, the weakening of the nation. For the strength of this nation, a strong Centre—not politically but financially—is also essential. It is essential to ensure uniform development of all States, of all regions.

There has been a very strong criticism from our friends from West Bengal. I will be failing in my duty...

THE VICE-CHAIRMAN (SHRIMATI MARGARET ALVA): Mr. Sharma now you conclude.

SHRI ANAND SHARMA: These are the concluding remarks. A very strong criticism has been there and serious allegations have been made by our friends from West Bengal, but what is the state of their economy? As I mentioned earlier, the State of West Bengal has been included in the

list of dificit States. A State of that dimension has been clubbed with which States? That is to be seen. It speaks volumes for the good intentions of the Government to help that State as far as its development is concerned. But how has the Government of West Bengal managed its finances. That Government has mismanaged its finances. Their deficit has gone up from Rs. 600 crores during the period 1979—84 to more than Rs. 3000 crores in the period 1985—89. This is the state of their economy, this is the management. They are guilty of wasteful expenditure and then despite their own lapses they do not appreciate what is being given to them. Over Rs. 400 crores over and above their entitlement has been given by the Finance Minister to the State of West Bengal. And my friend, Mr. Chatterjee is not here. I am just concluding. I wanted to give him this statistics about the contribution of the State of West Bengal as far as resource mobilisation is concerned. It is not only zero, but now it is going into minus. If you go by the amount which is being given by Government of India — we do not say that the amount which is being given by the Centre to the State of West Bengal is a charity—it is only because of one fact—that the State of West Bengal is a part of India. If the Government there is mismanaging, if the Government there has ruined the economy, the Government of India is fully conscious of its duty. It is pained at the state of affairs in the State of West Bengal and that is why liberal assistance, liberal grants have been made to that State. The accusations which have been made by the representatives from that State are fully unjustified and baseless.

With these few words, I thank you for giving me this opportunity to speak on the Report of the Eighth Finance Commission.

श्री कैलाश पति मिश्र (बिहार) : उपसभाध्यक्ष महोदया, मैं शुरू में ही निवेदन कर देना चाहता हूं कि जिस प्रकार का विषय है, उस पर जरा बोलने दिया जाय । मैं इस विषय को सत्ता पक्ष और विरोधी पक्ष के बीच विवाद के विषय के रूप में नहीं लेना चाहता हूं । मैं समझता हूं कि यह विषय ऐसा है कि इसमें सत्ता पक्ष और विरोधी पक्ष के बीच में कोई अन्य विचारों का नहीं होना चाहिए । संविधान में फाइनेंस कमीशन बनाने का काम करने का अधिकार दिया गया है । संविधान के प्रदत्त अधिकारों के अनुसार ही फाइनेंस कमीशन काम कर रहा है । उसी में उल्लेख है कि देश की आर्थिक वृद्धि इतनी समन्वित और संतुलित होनी चाहिए कि उसमें राज्यों का विकास हो, केन्द्र का विकास हो । केन्द्र और राज्यों में अलग अलग प्रकार की अगर विषमता पैदा हो गई है तो वह विषमता दूर हो जाय । अगर विषमता दूर नहीं हुई तो उसका दुष्परिणाम क्या होगा, इसको आप एक मोटे उदाहरण से समझ सकते है । अगर एक आदमी की एक टांग बहुत मोटी हो जाय और दूसरी टांग धागे के समान पतली हो जाय, अगर एक हाथ मोटा हो जाय और दूसरा हाथ पतला हो जाय तो यह सब मिलकर जो शरीर है यह स्वस्थ शरीर के लक्षण नहीं होंगे । केवल सर बहुत बड़ा हो जाय और नीचे शरीर का भाग सूख जाय तब भी वह स्वस्थ शरीर का उदाहरण नहीं बन सकता । हमें इस पर विचार करना होगा । सात फाइनेंस कमीशन बीत गए और आठवें फाइनेंस कमीशन की अनुशंसा हमारे सामने है । जिस रास्ते पर हम चले हैं उस रास्ते पर अब तक देश का ढांचा क्या है ? आज हमारे देश के जो पिछड़े राज्य है, उन राज्यों में से एक राज्य का थोड़ा सा उदाहरण आपके सामने रखना चाहता हूं और वित्त मंत्री महोदय से भी आग्रह करना चाहता हूं कि वह देखें कि यह जो तस्वीर है, चित्र है,

[श्री कैलाश पति मिश्र]

यदि यह देश के लिए संकट की अवस्था है, एक बीमारी है, राष्ट्र के लिए दुर्बलता है तो फाइनेंस कमीशन इस बीमारी को, इस दुर्बलता को दूर करने के लिए कहां तक गया है और उसने क्या किया है। महोदया, मैं फाइनेंस कमीशन को भी दोष नहीं देना चाहता हूं। टर्म्स आफ रेफरेन्स जो उसका काम करने के लिए बनाया गया है वह टर्म्स आफ रैफरेन्स फाइनेंस कमीशन में नहीं बनाया है, सरकार ने बनाया है, राष्ट्रपति के द्वारा वह अनुमोदित है। उस टर्म्स आफ रैफरेन्स के अन्तर्गत फाइनेंस कमीशन को काम करना पड़ता है। जो यह मोटा पोथा है, इसको पढ़ने के बाद ऐसा लगता है कि फाइनेंस कमीशन और अनुशंसायें देने के लिए बेचैन सा हो उठा है लेकिन उसको पता है कि उसकी सीमा कहां तक है और उसके अन्तर्गत उसने काम किया है। राज्यों में बिहार का उदाहरण आपके सामने रखना चाहता हूं बिहार की आबादी देश की आबादी के अनुपात में 10.41 प्रतिशत है। आबादी के रहने के लिए जो जमीन है, जो धरती है, वह देश के अनुपात में 5.50 प्रतिशत है। अब यह औसतन जो आधी जमीन है रहने के लिए, उसकी अवस्था क्या है? बहुत बड़ी चर्चा हुई है। लेकिन मैं रैफरेन्स के लिए बोल रहा हूं कि काफी बड़ा भाग ऐसा है कि जो हर साल बाढ़ और कटाव से बरबाद होता रहता है, मैं यह कहना चाहता हूं कि बिहार के पास इतना बड़ा धन है, वह इतना बड़ा खनिज पदार्थों के भंडार का इलाका है कि अन्य कोई राज्य ऐसी सम्पदा का मालिक नहीं है। लेकिन उस राज्य का विकास नहीं हुआ। पूरे देश में मिलने वाले कोयले का 48 प्रतिशत अकेले बिहार में मिलता है, आइरन ओर 25 प्रतिशत, अभ्रक 50 प्रतिशत, अल्यूमीनियम 48 प्रतिशत, केनाइट 100 प्रतिशत और ऐपटाइट 90 प्रतिशत वहां मिलता है। इसी प्रकार के 24 खनिज पदार्थ हैं। लेकिन आश्चर्य होता है कि खनिज पदार्थों से भरा हुआ यह इलाका जो है, यह जो जमीन है, उसके ऊपर राज्य सरकार का कोई अधिकार नहीं है। सम्पूर्ण खनिज पदार्थ केन्द्रीय सरकार के अधिकार में आते हैं। एक दूसरा उदाहरण और रखना चाहता हूं। 1960 से लेकर 1978 तक देश की औसत आय रही है 3.48 प्रतिशत, वहां बिहार की आय रही है 2.50 प्रतिशत। औसत आय का, औसत आय किसी राज्य की सबसे अधिक आय नहीं होती है, उस औसत, एवरेज आय से भी कहीं नीचे बिहार है। यह 1972-73 में और नीचे गई है। 1980-81 में खाई और चौड़ी हुई है। जिस ढंग से फाइनेंस कमीशन काम कर रहा है, उससे इस खाई की चौड़ाई की घटने की उम्मीद कम है, वह दिन प्रति दिन और बढ़ती ही चली जा रही है। देश की औसत राष्ट्रीय आय पर कैपिटा 1537 रुपया है और बिहार की औसत आय 870 रुपया है। चढ़ते-चढ़ते यहां तक पहुंचा है केवल एक बिहार इस श्रेणी में नहीं है देश के अनेक राज्य हैं। अब अष्टम वित्त आयोग ने जो रिकमेंडेशन दिया है, इतना बड़ा जो पोथा तैयार किया है, मैं जानना चाहता हूं कि देश का वह प्रदेश वह इलाका जो सूख कर के धागे के बराबर हो गया क्या वह बाकी राज्यों की तुलना में केन्द्रीय सरकार की तुलना में इस रिकमेंडेशन के आधार के ऊपर चढ़ने वाला है, खड़ा होने वाला है? आपने सिद्धान्त रूप में माना कि फाइनेंस कमीशन का यह काम है, केन्द्र के हाथ में जो साधन आते हैं रिसोर्सेज आते हैं उनका राज्यों के अन्तर्गत वितरण करना कई टैक्सेज के बारे में आपने उदाहरण दिया है। हर एक को पता है कि केन्द्रीय सरकार के हाथ में आने वाली तीन मुख्य

राशियां हैं। एक एक्साइज ड्यूटी, दूसरी है इनकम टैक्स और तीसरी है रेलवे भाड़े से भी राशि आती है। अब आपने एक्साइज ड्यूटी का क्या किया? पहले से बताकर के निर्णय लगा दिया है कि 60 प्रतिशत एक्साइज ड्यूटी शेयरेबल, वितरणीय नहीं होगी। इस समय बहुत जोर लगाने के बाद पांच प्रतिशत बढ़ाया है और इस बढ़ी हुई पांच प्रतिशत राशि का लाभ किस को है। एक केटेगरी आपने डिफाइन किया है, यह कर दिया है कि यह राज्य है जो पांच प्रतिशत के भागीदार होंगे, बाकी सब नहीं होंगे। मैं जरा वित्त मंत्री जी से जानना चाहूंगा कि जो कांग्रेस-शासित राज्य हैं, उन्हीं के बारे में मैं कह रहा हूं, उनको छोड़ दीजिये जहां पर विरोधी सरकारें काम कर रही हैं, उन्होंने जो मेमोरेंडम दिया है उनकी मांग क्या है? क्या किसी ने 60 प्रतिशत से नीचे एक्साइज ड्यूटी शेयरेबल करने के लिये कहा है? जहां तक मैंने छानबीन करने की कोशिश की है और बिहार का मुझे मालूम है, सारी दुर्दशा का वर्णन करते करते बिहार सरकार ने जो मेमोरेंडम दिया है एक प्रकार से रो कर के दिया है अगर आप ज्यादा नहीं कर सकते तो एक्साइज ड्यूटी में कम से कम 60 प्रतिशत को शेयरेबल बनाइये। पांच प्रतिशत बढ़ा कर के आपने कौन सा उपकार किया है? जब चर्चा शुरू होती है तो धड़ल्ले से आप कह देते हैं कि एडीशनल एक्साइज ड्यूटी लगाई है। महोदय, एडीशनल एक्साइज ड्यूटी आपने लगाई है उसका नेचर क्या है? प्रोपोजिंग स्टेज में है। मैं तो कहूंगा कि उस एडीशनल एक्साइज ड्यूटी की कोई जरूरत नहीं है जो उसका स्वरूप है, जो एक्साइज ड्यूटी है उसी को बढ़ा कर आप करिये अलग से एडीशनल का नाटक करने की कोई जरूरत नहीं है। उससे कोई लाभ होने वाला नहीं है। इनकम टैक्स की चर्चा कर रहे हैं। आदरणीय गुरुपदस्वामी जी ने भी कहा, क्या कारण है इनकम टैक्स में से हटा कर के कारपोरेशन टैक्स बनाया गया, कारपोरेशन टैक्स बनाने की क्यों आवश्यकता पड़ी? केवल इसलिए कि जितनी कम्पनीज हैं इन कम्पनियों से जो आय है वह इनकम टैक्स में समाहित न हो जाए और वह आय आपके हाथ में सुरक्षित रहे। आपने कारपोरेशन टैक्स बना दिया लेकिन इसके बनाने के बाद भी आपको संतोष नहीं हुआ। आपने पर्सनल इनकम-टैक्स के ऊपर सरचार्ज लगा दिया। मैं जानना चाहूंगा कि यह टेम्पोरेरी है या अनंत काल तक चलने वाला है? अगर एक बार इनकम टैक्स के ऊपर लगा हुआ सरचार्ज एक क्षण के लिए भी नहीं हटा तो फिर वह शेयरेबल क्यों नहीं होगा? उसका बंटवारा क्यों नहीं होगा? उसमें से राज्यों को हिस्सा क्यों नहीं दिया जाएगा? आप एक्साइज ड्यूटी में आगे नहीं जाने देंगे, कारपोरेशन टैक्स में से नहीं बांटेंगे, इनकम टैक्स सरचार्ज लगा कर नहीं बांटेंगे और रेलवे फेयर टैक्स में भी आप किसी आधार पर उसका वितरण नहीं कर रहे

5 P.M. हैं। एडहाक वितरण कर रहे हैं अर्थ क्या है? एक ही अर्थ है कि केन्द्र सरकार के हाथ में राज्यों की गर्दन आप ऐसी पकड़ कर रखना चाहते हैं कि वे परेशान होते रहें और निर्भीकतापूर्वक या स्वतंत्रतापूर्वक अपना विकास न कर सकें। यह जिमनास्टिक है। आप राज्यों को कहते हैं कि आपको मैं ऋण देता हूं। लेकिन ऋण का भी सूद आप वसूल कर रहे हैं। ऋण का खाता बनाये हुए हैं। कुछ राज्यों का मैं जरा सुना देता हूं। बिहार सरकार पर केन्द्र सरकार का इस समय 2611 करोड़ ऋण है, महाराष्ट्र सरकार पर 2544 करोड़ का ऋण है, उड़ीसा पर 1214 करोड़ है, राजस्थान पर 1802 करोड़ है, उत्तर प्रदेश पर 3532 करोड़ है और पश्चिम बंगाल पर 337 करोड़ है।

[श्री कैलाश पति मिश्र]

मैं माननीय सदस्य श्री शर्मा जी की आलोचना नहीं करना चाहता हूं, वे अचानक बंगाल सरकार के ओवर ड्राफ्ट पर बरस पड़े। मुझे ऐसा लगता है कि ओवर ड्राफ्ट की कहानी की उनको पूरी जानकारी नहीं है और जरा कांग्रेस शासित राज्यों के बारे में जानकारी रखते तो शायद उनको यह बोलने की आवश्यकता नहीं होती। मैं आपके तीन राज्यों का उल्लेख कर रहा हूं। आपने जो नियम बनाकर रखे हैं तो ओवर ड्राफ्ट के बढ़ने पर केन्द्र सरकार के सामने दो ही रास्ते रहते हैं या तो एक पैसे का खर्च उस राज्य का बंद कर दे। अब ओवर ड्राफ्ट का वास्तविक नियम अगर लागू किया जाये तो राज्य सरकारें इस स्थिति में आकर खड़ी हो जायेंगी कि अगर उन्हें स्याही खरीदनी हो तो नहीं खरीद पाएगी, एक पैसे का कागज खरीदना हो तो वे नहीं खरीद सकतीं, एक पैसे की कलम खरीदनी हो तो नहीं खरीद सकती हैं। मैं जानना चाहता हूं कि किसी भी राज्य ने चाहे जितना ओवर ड्राफ्ट किया हो लेकिन आज तक इतने दिनों के आजादी के प्रशासन के इतिहास के अंदर उसके ओवर ड्राफ्ट होने के कारण उसका एक्सपेंस बंद हुआ है? आप उसको बंद नहीं करते हैं, आप सताते रहते हैं। हिंदी में कहावत है कि न जिंदा रहने देंगे न मरने देंगे। मरने भी नहीं देंगे और जिंदा भी नहीं रहने देंगे। वे धुक-धुक करते रहते हैं। आप करते क्या हैं जब संकट आता है और लगता है कि किसी भी राज्य और केन्द्र से पूरा ठन जायेगा, कंफ्रंटेशन या संघर्ष का स्वरूप आकर खड़ा हो जायेगा तो धीरे से ओवर ड्राफ्ट समाप्त करने के लिए ऋण दे देते हैं। यह ठीक है कि ओवर ड्राफ्ट को खत्म करने के लिए आपने पश्चिम बंगाल को 399 करोड़ का ऋण दिया है लेकिन बिहार को भी आपने 323 करोड़ का ऋण दिया है। तो माननीय अनंत शर्मा जी इसको सुनें और समझें, इसका जरा ध्यान रखें और यह 323 करोड़ का ऋण भी कौन सी अवस्था में? पहले भी एक बार कहा था, कि सन् 1980 के बाद जब कांग्रेस की सरकार आई तो उस समय 128 करोड़ रुपये का सरप्लस था, एक पैसे का ओवर ड्राफ्ट नहीं था। मैं कहना चाहता हूं कि कांग्रेस की सरकार ने 128 करोड़ तो हड़प लिया ही लेकिन 193 करोड़ का ओवर ड्राफ्ट चढ़ा लिया। आपने 2 सौ करोड़ का ऋण दिया और यह मैं बुक उठा करके देख रहा हूं, इसी मोटे पोथे के अंदर लिखा हुआ है कि इस समय तक मतलब फाइनेंस कमीशन ने जब तक काम किया, 323 करोड़ रुपया बिहार सरकार को ओवर ड्राफ्ट का सामना करने के लिए दिया गया है और फिर केवल बिहार और बंगाल को ही नहीं राजस्थान को भी 322 करोड़ रुपया दिया गया है। अब बिहार को जो 323 करोड़ रुपया दिया गया है और मेरी जानकारी में जो वह 128 करोड़ का सरप्लस हुआ था, उसको जोड़ दें---(**समय की घंटी**) महोदया, थोड़ी देर और बोलने दें---और आज की स्थिति में अगर बिहार सरकार का ओवर ड्राफ्ट का आंकड़ा मांग लिया जाये तो जो बंगाल ने ओवरड्राफ्ट किया है, उससे तो ज्यादा बिहार ने ओवरड्राफ्ट किया है और मेरा अनुमान है कि आबादी के अनुपात के अनुसार कई राज्य निकल आयेंगे जिनके यहां और ओवरड्राफ्ट ज्यादा दिखाई पड़ेगा।

उपसभाध्यक्ष (श्रीमती मार्ग्रेट आल्वा): अभी दो-तीन मिनट में खत्म करिए।

श्री कैलाश पति मिश्र: मैं केवल दो-तीन मिनट में खत्म कर रहा हूं, ज्यादा नहीं बोलूंगा।

महोदया, इन विषयों को छोड़ कर आवश्यकता इस बात की है कि फाइनेंस कमीशन को किस सीमा में काम करना चाहिए? राज्यों का पिछड़ापन रोकना, केन्द्र से लेकर राज्यों की आर्थिक आवश्यकता का अनुमान लगाना और समन्वित विकास, समेकित विकास, इसके लिए पहले सिद्धांत यह तय करना चाहिए था। केन्द्र सरकार के हाथ में चाहे जिस सूत्र से, जिस स्रोत से पैसा आता हो, केन्द्र सरकार अपने लिए खर्च करने के लिए कितना रखे और देश के सारे राज्यों के लिए, जिन राज्यों को काम करना है, उनके लिए कितना रखे। कभी विचार करते हैं? आपने राज्यों में होने वाले काम, शिक्षा को कोर सैक्टर से निकाल लिया, स्वास्थ्य को आपने कोर सैक्टर से निकाल दिया, कई जीवन के महत्वपूर्ण काम आपने कोर सैक्टर में नहीं रखे है। कभी सोचते हैं कि राज्यों के अंदर शिक्षा का विकास कैसे होगा, राज्यों के अंदर स्वास्थ्य का विकास कैसे होगा, राज्यों की सड़के कैसे ठीक होगीं? और यहां नहीं, बजट के लिए भी आप जो ग्रांट्स-इन-ऐड देते हैं या कभी-कभी असिसटेंस देते है कि नया काम शुरू करो—जब राज्य सरकार कोई नया काम शुरू करने के लिए चलती हैं उसमें भी एस्टेबलिशमेंट एक्सपेंडिचर होता है, स्थापना व्यय—राज्य सरकारें घबराती रहती हैं कांपती रहती हैं कि आज तो इस पैसे के द्वारा हम एस्टेबलिशमेंट एक्सपेंडिचर खड़ा कर लें लेकिन यह स्थापना व्यय दो-तीन साल के बाद नान-प्लान एक्सपेंडिचर में आ जाएगा, जो सीधे खोपड़ी के ऊपर आकर भार पड़ेगा।

आश्चर्य है कि फाइनेंस कमीशन का इतना बड़ा पोथा तो तैयार हो गया, लेकिन कहीं उसमें इस बात का उल्लेख नही है कि गैर-योजना मद में बढ़ने वाले राज्य सरकारों के खर्चे का बोझ कौन वहन करेगा, राज्य सरकारें कहां से पैसा लें, राज्य सरकारों के हाथ में क्या है? बार-बार आप रिसोर्सेज और रिसोर्स डेवेलपमेंट की बात करते हैं—मात्र एक कर्मशियल टैक्स हैं और वह भी कर्मशियल टैक्स अगर इतना बढ़ जाए, तो जहां से कर्मशियल टैक्स मिलता हैं—(**समय की घंटी**) बकरी से उतना ही दूध मिल सकता हैं, जितना बकरी की क्षमता हो। तो दूध निकालने के लिए अगर बकरी की पीठ तोड़ देंगे, तो बकरी ही मर जाएगी, उसमें से दूध नहीं निकलेगा। राज्य सरकारों की क्षमता क्या है? केन्द्र सरकार वहां उद्योग की वृद्धि करने के लिए नहीं गयी, केन्द्र सरकार खेती के विकास को ठीक करने के लिए नही गयी, केन्द्र सरकार ने बिजली को वहां नहीं बढ़ाया हैं, सड़कें ठीक नहीं की हैं, सिचाई ठीक नहीं की....

उपसभाध्यक्ष (श्रीमती मार्ग्रेट आल्वा): खत्म करिए।

श्री कैलाश पति मिश्र: उद्योग के विकास के लिए जो व्यापक क्षमता हैं, उसके लिए जो साधन चाहिएं, अगर केन्द्र सरकार साधन नही पहुंचाए, तो राज्य सरकारें कहां से पैदा करें?

इसलिए न बंगाल और न बिहार को गाली देने की जरूरत हैं, गैर-कांग्रेस शासित सरकारों की आलोचना की भी जरूरत नहीं है और कांग्रेस द्वारा शासित सरकारों की भी आलोचना की आवश्यकता नहीं हैं ...(**समय की घंटी**)

तो मैं कहना चाहूंगा कि फाइनेंस कमीशन ने जो सुझाव दिया है बहत अच्छा सुझाव दिया है कि आप वित्त विभाग के अंदर एक पर्मानेंट प्रभाग बनाइये, एक डिविजन, और राज्य सरकारों

[श्री कैलाश पति मिश्र]

के अंदर भी एक प्रभाग बनाइये । फाइनेंस कमीशन ने अपनी रेकमेंडेशंस में कहा है कि हो सके तो एक अलग मंत्रालय इस काम के लिए करिए, जो पूरे साल तक, एक फाइनेंस कमीशन का काम समाप्त होने के बाद जब तक दूसरा फाइनेंस कमीशन गठित नहीं हो, तब तक निरंतर वह इस दिशा में काम करता रहे, जो देश भर की आवश्यकता पर विचार करे, केन्द्र की क्षमता पर विचार करे, राज्यों की दुर्दशा का विचार करे, तब चल कर के पूरे भारत का संतोष के साथ समन्वित, समेकित विकास होगा और मैं कहना चाहता हूं...

उपसभाध्यक्ष (श्रीमती मार्ग्रेट आल्वा) : कनक्लूड करिए ।

श्री कैलाश पति मिश्र : ... कि आपने यदि ऐथ फाइनेंस कमीशन को टर्म्स आफ रेफरेंस के अंदर घेरा और पूरे इन रेकमेंडेशंस को भी नहीं मान रहे हैं, इसकी भी सूचना हुई, यह देश के विकास के लिए बहुत दुर्भाग्य है । मैं जानता हूं कि केन्द्र सरकार ... (**व्यवधान**) की नीति किस बारे में है, वह डेफिसिट फाइनेंसिंग कर सकती है, वह दुनिया से कर्जे ले सकती है जिस समय चाहे वह कागजी नोट छाप सकती है, लेकिन राज्य सरकारों को इसकी इजाजत नहीं है । उदाहरण आप दे रहे हैं, सातवें वित्त आयोग से आठवें वित्त आयोग में इतनी वृद्धि हो गई कि एमाउंट गिना रहे हैं लेकिन क्या आप बताने के लिए तैयार है, सातवें वित्त आयोग ने जिस समय अपनी अनुशंसा दी और आठवें वित्त आयोग की अनुशंसा जिस समय सामने आयी है, चीजों की कीमतों में कितना अन्तर है ।

उपसभाध्यक्ष (श्रीमती मार्ग्रेट आल्वा) : आप जरा कनक्लूड करें, प्लीज़ ।

श्री कैलाश पति मिश्र : मैं यह कहना चाहता हूं कि यह एक साल तो निकल गया, चार साल बिल्कुल बचा । इस कलाबाजी से एक साल निकल गया है, उस पर कई माननीय सदस्यों ने बोलना नहीं चाहा । लेकिन देश की आर्थिक अवस्था सुधारने के लिए संविधान के अन्दर जो अधिकार हैं, संविधान की खोपड़ी के ऊपर प्लानिंग कमीशन को बिठा दिया गया है...

उपसभाध्यक्ष (श्रीमती मार्ग्रेट आल्वा) : आप जरा कनक्लूड करिए ।

श्री कैलाश पति मिश्र : मैं कहना चाहता हूं योजना आयोग संविधान द्वारा नहीं बना है, वह एग्जीक्यूटिव आर्डर से बना हुआ है। फाइनेंस कमिशन संविधान के आधार पर एक ऐसी संस्था बनायी गयी है कि उसको खुल कर काम करना चाहिए, उसके लिए व्यापक प्रबन्ध होना चाहिए, वरना देश की प्रगति नहीं होगी । धन्यवाद ।

SHRI KAMALENDU BHATTACHARJEE (Assam): Respected Chairperson, at the outset I would like to thank the hon. Finance Minister for giving us a chance to discuss the recommendations of the Eighth Finance Commission on the floor of this House. This is the first time that the House is discussing the recommendations of the Finance Commission in this manner—that is, the whole thing has been put in the form of a motion moved by the hon. Finance Minister. Otherwise it has been the long-standing practice that the recommendations come in the form of Bills and some are accepted by Presidential orders. The founding fathers of our Constitution in their wisdom rightly thought it discreet to institue a Finance Com-

mission which would go periodically into the position of the finances of the States and make necessary adjustments so that there could be no confrontation or misgivings between the Centre and the States.

While we discuss the recommendations of the Finance Commission, we have got to bear in mind one thing, that this Finance Commission does not create any resources. Rather it only makes recommendations as to how the available resources are to be distributed or allocated. We have also got to bear in mind that the recommendations of the Finance Commission are no gospels. These are not irrevocable. They can be overridden if the necessity so arises.

Now there is a hue and cry over the issue why the Central Government has not implemented the recommendations of the Eighth Finance Commission from the current financial year, that is, 1984-85 and why the Central Government has decided to implement them from the coming financial year, that is, 1985-86 Now, we all know, and it has been made amply clear in the Explanatory Memorandum, that there has been delay in the presentation of the Report of the Eighth Finance Commission and meanwhile, many of the States had already presented their budgets and it was too late to implement the recommendations because then there would have been many sorts of financial adjustments to be made. My learned friends in the Opposition, who are very learned, have got mature wisdom, but in spite of their mature wisdom, they refuse to learn logic or see hard facts and statistics. Otherwise they would have clearly seen what was the reason for not implementing the recommendations of the Finance Commission from this year. Respected Chairperson, there have been allegations that there has been hijacking of the national economy.

We have seen in the newspapers and there have also been all sorts of analogies bringing into the discussion on the recommendations of the Finance Commission even the name of Bhindranwale. I would expect the most learned honourable Member, Mr. Chatterjee, to know the difference between a good analogy and a bad analogy. A good analogy is based on the essential point of similarity and a bad analogy is based on the superficial point of similarity. While trying to criticise the recommendations of the Eighth Finance Commission and while trying to criticise the action taken thereon, he has taken resort to this sort of a bad analogy. But one thing: I don't blame them. This is their customary practice. Wherever they see their own fault, wherever they see their own misdeeds, they try to cover it up placing the blame squarely on the shoulders of the Central Government. This has been the longstanding practice for them and here it is no exception. Even if there is a big pot hole 5' deep in front of the Metro cinema right on the PWD road, they will blame the Centre for it. Even if Jyoti Bosu misses his flight in the US, they will blame the Central Government. This is their habit. In this context I am reminded of a very interesting story. There was a judge who used to meet and talk to his clerks and also to the lawyers and say that behind every crime of murder, behind every case of death, there must be a woman—please pardon me, Madam Chairperson, for saying so. It so happened once that while repairing a very tall transmitter for power connection, the worker fell down and died. Then the clerks and the lawyers pointed out to the judge and said, this time there was no woman. But, no, the judge said, there must have been a woman passing down below and the fellow must have been looking at her and thus he must have fallen to his death. So, there also he found a woman. That is the practice of West Bengal. Wherever there is a defect, they see the woman of Central Government. Whatever be the defect and whatever be the mistake, they will never acknowledge their

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fault. They try to push the blame on the Centre. They know they are taking overdrafts. They know they are entirely mismanaging their finances. And yet they want more and still more. This again reminds me of another story. The bijli president went to an executive engineer of the Electricity Board and complained of powercut. The electricity engineer said there are many scientific reasons for the power failure; he explained all the niceties of the power supply system. Having listened to all the explanations the complainant said, fair enough, but I am not interested in all these reasons; I understand two things: bijli jalna chhahiye, pankha chalna chahiye. The same is the story of West Bengal. In spite of all their mismanagement, in spite of taking huge amounts, they still are making political propaganda. If they are so seriously interested in the finances, the Chief Minister of West Bengal should not have staged a walkout from the NDC meeting. NDC is a very important forum for discussing the financial arrangements. But their Chief Minister chose to fight a political issue and staged a walkout. If they were seriously interested in the finances, in the better economic condition of West Bengal, then their Chief Minister should not have staged a walkout from the NDC meeting. This is my contention.

Now, the report of the Eighth Finance Commission has taken not of the fact that through successive Five Year Plans the Government is trying to achieve development of the relatively backward regions and backward States, to see that the backward regions and backward States get a larger share from the transferable resources of the Centre. Obviously, as a result of these recommendations certain States will get relatively more and certain States will get relatively less. The States which are getting relatively more are, in the Finance Minister's paralance, affluent States. There is a sort of misapprehension or confusion that financially well-managed States are being penalised or punished whereas deliqeuent States are being rewarded. I would say that this view is lopsided. It is only a partial view. This will not be a complete view of the picture.

The Eighth Finance Commission has for the first time stipulated that 10 per cent of the divisive portion of the income-tax yield will be distributed on the basis of each State's respective contribution to it. Even for the sake of argument if we concede that affluent States will sustain a loss by distributing 5 per cent of the divisive portion of excise duty among the deficit States, the present recommendation of 10 per cent of the portion of income tax to be distributed on the basis of contribution will be more than compensating for the loss.

There is no denying the fact that the Eighth Finance Commission through its recommendations has not only placed more funds at the disposal of the States in quantitative terms, but it has also ensured better distribution of revenues. While doing so, it has also taken care to see that the financial position of the Centre is not weakened. Otherwise it will wreck the very federal structure to its foundation.

The recommendations of the Eigth Finance Commission contain some salutary and laudable features. For instance, they have said that weightage for population will be only to the extent of 20 per cent of distribution of tax revenue. They have recommended more liberal arrangements for administration of debt relief. They have recommended more grants-in-aid and relief for natural calamities.

The Eighth Finance Commission has not only proposed doubling of the margin money for relief during natural calamities such as flood, drought and cyclone, but also stipulated that an equal amount will be provided by the

Centre. They have also recommended very wisely that the funds advanced by the Centre towards relief in the States will be adjusted against the next year's plan allocation. It is a commendable recommendation. This will ensure that, when the States go on spending money on relief works, they create durable assets.

As a Member from Assam I would like to thank the Finance Minister for properly assessing the financial position of Assam and for making necessary arrangements to build up the depleted economy of the State. We are happy that we get more, but we would be happier if we are given a little more. Assam is a backward State in the Northern Eastern region. It is a matter of common knowledge that it is a very very backward area. In Assam we are having perennial problems of floods. There are occasional cyclones also there in almost alternate years. We have problems of floods created by the Brahmaputra and Barak. Actually, they result in colossal loss, loss in terms of human lives, in terms of material and in terms of property in my State. Every year we release to the tune of some crores of rupees for relief. So, it will be my humble submission before the honourable Finance Minister that the case of Assam should be treated on a special footing so that Assam could fight the danger of floods more effectively, so that Assam could take measures like Barak dam and Assam could intensify its fight against floods by taking flood control measures in the Brahmaputra region. We all know that Assam, being backward State, is suffering from communication bottlenecks. I would beseech the honourable Finance Minister to release funds liberally and handsomely so that the BG line could be extended from Gauhati to Dibrugarh and the more difficult line, the present Lumding-Badarpur line, which is running through a difficult terrain, could be taken up. This railway line runs through a very difficult terrain which is susceptible to rain and during the rainy season, the line always gets disrupted. If more funds could be given, these could be taken up which could uplift the shattered economy of the State of Assam. (*Time bell rings*). I am going to conclude, Madam.

THE VICE-CHAIRMAN (SHRIMATI MARGARET ALVA): You must ask Mr. Ghani Khan Choudhury for these things. Anyway, please conclude now.

SHRI KAMALENDU BHATTACHARJEE: The way in which you smile indicates that you are going to be more indulgent towards me. Anyway, I am concluding just now.

Madam, if you refer to page 7 of the Explanatory Memorandum, you will find that there has been a provision for writing off of the relief and rehabilitation loans given to the displaced persons. Now, Madam, I would request the honourable Finance Minister to give effect to this recommendation from this financial year itself, if possible, because Assam is a place where the problem of relief and rehabilitation occurs to the maximum possible extent. In the district of Cachar and in other districts of Assam, we are having thousands of displaced persons who have left their homes in the erstwhile East Pakistan and who have taken shelter in Assam and who are passing their days in miserable conditions. They do not get two square meals a day and they are struggling hard to keep their body and soul together. I would request the honourable Finance Minister to give his sharp and pointed attention to this matter so that the loans given to such displaced persons who are living in Cachar and Goalpara districts are immediately written off in order that some sort of relief is given to them and they could lead a healthy life there in Assam.

Before concluding, I would like to mention one thing about the recommendations made in the Eighth Finance Commission Report. I would say that the recommendations made in the Report of the Eighth Finance

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Commission, which has been placed before the House for consideration—a Motion has also been moved—are progressive, are very reasonable and are eminently acceptable.

I would go further and say that these recommendations have their antenna finely tuned to the economic conditions of India.

With these words, Madam Vice-Chairman, I support the Motion. Thank you.

श्री चतुरानन मिश्र (बिहार) : उपसभाध्यक्ष महोदया, इस सदन में आठवीं वित्त कमीशन के सवाल पर विचार करते हुए और दूसरे मौकों पर भी जब शासक पार्टी की बात सुनते हैं तो एक ही बात लगती है कि समस्या एक ही है कि किसी तरह से बंगाल की वामपंथी सरकार खत्म हो जाये और अगर वह वामपंथी सरकार खत्म हो जाये तो हुगली नदी में दूध दही बहने लगेगी और वित्त मंत्रालय में सोने की वर्षा होने लगेगी। वही सरकार एक मात्र बाधा है और एक मात्र दुश्मन उनके हम लोग हैं। शासक पार्टी के इसी रुख के चलते वित्त मंत्री जी आप को कहीं पैसा नजर नहीं आता है। आप कहते हैं कि नया कर लगायेंगे तो विरोधी पक्ष विरोध करेंगे। नोट छापेंगे तो आप विरोध करेंगे। और इसलिए तीसरा रास्ता राज्यों के हिस्से की एक वर्ष की सहायता रकम काटकर उन्होंने निकाला है। लेकिन क्या सरकार को यह मालूम नहीं है कि जितना हम लोग कर वसूली करते हैं उस से कहीं ज्यादा स्मगलिंग में चला जाता है। अगर वह करारोपण में आये तो उससे वर्तमान राजस्व का दुगुना पैसा आ सकता है। टैक्स इवेजन में जो रुपया जाता है वह टैक्स वसूली से ज्यादा है। क्या यह बात सरकार को मालूम नहीं है कि ब्लैक मार्केटियर लोग क्या करते हैं? उनके चलते चीजों की कीमतें कितनी बढ़ती हैं? अगर आपकी राजनीति सही रहती तो कम से कम एक भी आपके दल के माननीय सदस्य बोलते कि टैक्स इवेजन को रोकना जरूरी है, फिजूलखर्ची को रोकना जरूरी है या प्रोजेक्टों को समय पर पूरा करना जरूरी है या पूरी क्षमता से काम न करने से पब्लिक सैक्टर में जो दो हजार करोड़ रुपये का घाटा प्रति वर्ष होता है उसको हम बचा सकते हैं। आपकी गलत राजनीति के चलते पैसा जहां से आ सकता है वहां से आप लेने की कोशिश नहीं करते हैं और उल्टे वामपंथियों को दोष देते हैं। मैं आपसे कहना चाहता हूं कि इसकी वजह से आप चीजों को सही ढंग से नहीं देख पाते। भारत के कुल 22 राज्यों में से 9 राज्यों में आप मिलिटरी के बल पर शासन कर रहे हैं। अगर आज मिलिटरी फौज वहां से हटा ली जाए तो वहां की सरकारें धराशायी हो जाएगी और वह भारत में भी रह सकेंगी असमान विकास के कारण भी ऐसी स्थिति आ गई है और इसलिए हम अर्ज करते हैं कि जब धन का बंटवारा वित्त कमीशन या केन्द्र सरकार करे तो इस बात को ध्यान में रखे। आज दुर्भाग्यवश वित्त कमीशन का महत्व ही अब घट गया है। जब संविधान बना था उस वक्त फाइनेन्शल इंस्टीट्यूशंस नहीं थीं, प्लानिंग कमीशन नहीं था। हमारे कुल राष्ट्रीय राजस्व का एक तिहाई पर ही वित्त कमीशन विचार कर सकता है। वित्त कमीशन सारे राष्ट्रीय राजस्व या साधन का देखभाल नहीं कर सकता।

[उपसभाध्यक्ष (श्री सन्तोष कुमार साहू) पीठासीन हुए]

मान्यवर, जो फाइनेंशल इस्टीट्यूशंस हैं वह बहुत ही सख्त भेदभाव राज्यों के साथ करती है, उसका मैं आपको उदाहरण देता हूं। जहां हरियाणा में 70 परसेंट

बकों का क्रैडिट और डिपाजिट रेशियो है, चंडीगढ़ में 218 परसेंट क्रैडिट और डिपाजिट का रेशियो है, महाराष्ट्र में 89, वहां मेघालय, मिजोरम, अरुणाचल में 14–15 परसेंट है । ऐसी स्थिति है आप ही तो उनको बगावत करने के लिए बाध्य कर रहे हैं । धन जहां पर चाहिए आप देते नहीं है । हमारे बिहार मे बैंक डिपाजिट क्रैडिट का अनुपात केवल 40 परसेंट है । इसी तरह का भेदभाव योजना कमीशन से दी जाने वाली सहायता राशि में है । बिहार को पिछले तीन चार वर्षों में प्रति वर्ष प्रति व्यक्ति तीन से पांच रुपये तक की सहायता दी गई है जब कि महाराष्ट्र, पंजाब और दूसरे राज्यों को 56–57–58 रुपए दिए जाते हैं । राष्ट्र का मुख्य वित्तीय साधन अब वित्तीय संस्थानों और योजना कमीशन के हाथ में है । अतः संवैधानिक संस्थान होने के नाते वित्त कमीशन के पास लिमिटेड फंड्स है, उसके वितरण मे मौलिक सुधार की जरूरत है । अगर यह नहीं करेंगे तो दूसरे राज्यों को भी मिलिटरी शासन में भेज देंगे । कर वंचना नहीं रोकने के कारण अर्थाभाव में वित्त मंत्री को जो विद्वान आदमी है, उन जैसे भद्र लोगों को भी पिक-पाकेट करनी पड़ी । वित्त कमीशन ने राज्यों को 5 वर्ष के लिए जो दिया था उसे उन्होंने 4 वर्ष के लिए कर दिया । इस तरह राज्यों की एक हजार करोड से ज्यादा की पाकेटमारी की गई है । इतना शरीफ आदमी इतना खराब काम करे यह कौन सोच सकता था । इसी के चलते यह स्थिति उत्पन्न हुई है ।

अब मैं आता हूं मौलिक सुधारों के बारे में । आप संविधान के एक आर्टिकल के जरिये राज्य करते हैं, दूसरे आर्टिकिल के जरिये राज्य सरकारें काम करती है । तो यहां फिर कर्जदार कौन है और महाजन कौन है? राज्य सरकारें जनता की भलाई के लिए, उसकी दवा के लिए, बाढ़ से सुरक्षा के लिए, बिजली देने के लिए काम करती हैं और आप भी वहीं काम करते है । तो मुल्क की जनता की सेवा करने के लिए आप कर्ज दीजिएगा राज्यों को और उनसे सूद लीजिएगा? मैं कहना चाहता हूं कि आठवीं वित्त कमीशन भी किसी भी समस्या जैसे राज्यों का भारी कर्ज, ओवर ड्राफ्ट, राज्य केन्द्र के बिगड़ते संबंध का निदान नहीं कर पाया । उनकी अनुशंसा से ओवरड्राफ्ट बंद नहीं होगी । राज्यों का केन्द्रीय सरकार से चार हजार करोड़ रुपये का कर्ज बच ही जायेगा । इसलिए यह वित्त कमीशन किसी भी समस्या का निदान नहीं दे पाया । मैं आपसे कहता हूं कि यह कर्ज पद्धति को समाप्त करिये । जैसे इन्टरनेशनल मानेटरी फंड और विश्व बैंक की हालत है कि एक डालर अगर देते हैं तो उसके बदले 20 डालर वसूलते हैं, इसी तरह से आज आप राज्यों का मदद कर रहे हैं । वित्त मंत्री जी मैं आपसे कहना चाहता हूं कि अगर आप 15–20 वर्ष का लेखा-जोखा राज्यों का लीजियेगा तो आप देखियेगा कि जितना रुपया आपने दिया है उससे ज्यादा रुपया वसूला है विद इंटरेस्ट आपने राज्यों से वसूल किया है । अब राज्य ही केन्द्र को मदद कर रहा है । इसलिए कहता हूं कि यह व्यवस्था समाप्त कीजिए । मैं आपसे यह कहना चाहता हूं कि जब मैं वित्त कमीशन के सामने पेश हुआ था तो उन्होंने पूछा मुझ से कि दुनिया में कोई ऐसा देश है जो राज्य सरकारों को कर्जा दे और उससे इन्टरेस्ट न ले ?

[उपसभापति महोदय पीठासीन हुए]

मैंने कहा ऐसा देश सोवियत संघ है । सोवियत संघ जो रुपया अपने रिपब्लिकों को

[श्री चतुरानन मिश्र]

रुपया देता है वह कर्ज नहीं होता है। बाढ़ में लोग डूबे रहते हैं उनके लिये आप पैसा देते हैं तो क्या यह कर्ज है। किसको कर्ज देते हैं? बाढ़ से मरने वाले नागरिकों को बचाने के लिए जो पैसा दिया जाता है क्या वह कर्ज होता है। क्या यह आपकी जिम्मेदारी नहीं है? ये वे सिटीजन हैं जो केन्द्र राज्य दोनों सरकारों के मालिक हैं। जिसकी बदौलत आप यहां हैं। हम उनके प्रतिनिधि हैं। हम उनके मालिक नहीं हैं। आप मालिक जैसा व्यवहार करते हैं। अगर आप केन्द्र राज्य का अच्छा संबंध चाहते हैं तो आपको कर्ज व्यवस्था समाप्त करना चाहिए। जितना भी कर्ज हो उसको समाप्त कर दीजिए चाहे कोई भी राज्य हो। इसके बाद जो सूद का व्यवस्था है वह अपने आप ही आटोमेटिक हो समाप्त हो जायेगा। मौलिक परिवर्तन करना जरूरी है।

दूसरी बात मैं आप से कहना चाहूंगा कि इस बीच में केन्द्र ने कुछ ऐसे काम कर लिये हैं जिससे राज्यों का स्थिति खराब हो गई है। बिक्री कर एड वेलोरम टैक्स है। बढ़ती महंगाई का उससे पूर्ति होता है। उस बिक्री कर के भारी हिस्से को आपने अपने हाथ में ले लिया। राज्यों को धन मिलने वाले रेलवे पेसेंजर एक्ट को आपने हटा लिया है। टैक्स एंड ड्यूटीज अंडर आर्टीकल 268 एंड 269 के मातहत जो आता है जिससे राज्यों को धन मिलता है उसमें आपने कोई बढ़ता का नहीं। राज्यों के साधन आपने अपने हाथ में सब चीजें ले लीं।

उल्टे एडमिनिस्ट्रेटिव प्राइस के जरिये फिर आपने पाकेटमारी शुरू कर दी और राज्यों के साधनों में संकट का स्थिति आ गई है जिसके चलते राज्यों का बढ़ता कर्ज और ओवर ड्राफ्ट भुगत रहे है अब मैं कुछ अपने राज्य की भी चर्चा करना चाहूंगा।

वित्त कमीशन के 5 वर्षों को 4 वर्ष करने के कारण हमारे बिहार राज्य को करीब एक सौ करोड़ रुपये का घाटा हुआ और इसकी पूरी जिम्मेदारी केन्द्रीय सरकार पर है। बिहार की आपकी भी सरकार ने इसका विरोध किया है। इसलिए आपको इसके ऊपर सोचना चाहिए। जो रेल पेसेंजर एक्ट के बदले या एडीशनल एक्साइज ड्यूटी एंड ग्रांट मिलती थी हम लोगों को, उसमें हमारे बिहार राज्य का पहले जो दूसरा स्थान रहता था अब वह तीसरे में चला गया। बिहार को आर्टीकल 275 के तहत जो मिलता था अब उसको एक पैसा नहीं मिलेगा। अब मार्जन मनी में केन्द्र से पचास परसेंट राज्यों को मिलेगा किन्तु मैं आपको बताना चाहता हूं कि हमारे राज्य बिहार में जो बाढ़े आती हैं वह नेपाल की नदियों से आती हैं, नेपाल एक विदेश है और उससे केन्द्रीय सरकार का समझौता करने का हक है। वहां पर आपका ही सरकार है, कांग्रेस पार्टी का ही सरकार है लेकिन उसको कोई अधिकार नहीं है वह नेपाल के साथ कोई संधि करे, कोई तय करे। आपकी सरकार, जो दिल्ली की सरकार है उसका कर्तव्य था कि वह तय करे उसके साथ लेकिन पिछले 35 वर्षों में आपने नहीं किया। आप बताइये कि इस गलती के चलते जो प्रतिवर्ष एक हजार करोड रुपये का नुकसान जन में धन में और मारा चीजों में करना पड़ता है क्या उसका कम्पनसेशन आपको बिहार को देना चाहिए। नेपाल की सीमा पर जो हम पुलिस रखते है, अगर पाकिस्तान की सीमा पर पुलिस खर्च केन्द्र देता है तो नेपाल सीमा पुलिस का खर्चा दिल्ली क्यों नहीं देता है....

श्री उपसभापति: यह सब छोड़िये। फाइनेंस कमीशन पर कहिये।

श्री चतुरानन मिश्र : मैं यह कह रहा हूं कि जो नेपाल बार्डर पर हम पुलिस रखते हैं उसका खर्चा केन्द्रीय सरकार को बिहार सरकार को देना चाहिए । फाइनेंस कमीशन ने इस पर विचार नहीं किया। हम यह कहते हैं कि आप इस को देखिये और राज्य सरकार को इसका खर्चा दीजिए । इसी तरह से जो सूरजपुरा बिजली घर गंडक प्रोजेक्ट में है और कटिया-कोसी पावर हाउस है जो नेपाल के लिए किया गया है क्या इसका खर्चा हम को केन्द्रीय सरकार को नहीं देना चाहिए ? यह खर्च केन्द्र की तरफ से देना चाहिए। दूसरे मैं यह कहना चाहता हूं कि रेलवे सेविंग्स जो राज्य करता है, राज्य जमा करता है उसमें से आप क्यों लेते है हिस्सा ? इसको आपको राज्यों को दे देना चाहिए। इसी के जरिये राज्यों की स्थिति अच्छी हो सकती है। मैं यह भी कहना चाहूंगा कि टेक्स आन रेलवे पैसेंजर जैसा ही था उसी तरह रेल से माल ढोने पर भी टैक्स लगा-कर राज्यों की मदद की जानी चाहिए।

उसमें जो टर्मिनल टेक्स होता है उसको म्युनिसिपल कमेटी या कारपोरेशन को दे देना चाहिए । आप जानते हैं कि हमारे देश में म्युनिसिपल कमेटीज और कारपोरेशन्स की हालत अत्याधिक खराब है । उसके चलते हमारे शहरों में जीवन बहुत ही असहनीय हो गया है । मैं एक बात यह भी कहना चाहूंगा । जो पांचवें फाइनेंस कमीशन ने हिसाब लगाया कि रेलवे पेसेन्जर एक्ट जो आमदनी उससे होती है वह 10.7 परसेंट है टोटल रेल रेवेन्यू का । सन् 1970 से 1982 के बीच रेल ट्रेफिक में 62.4 प्रतिशत की वृद्धि हुई है किन्तु उसका मात्र 12.7 प्रतिशत ही आप राज्यों को देते हैं । इसपर पूरा राज्यों का हक है । इसलिए उससे जो आमदनी होती है वह भी राज्यों को दे देनी चाहिए । इसी तरह से मैं यह भी कहना चाहूंगा कि एडीशनल ड्यूटीज आफ एक्साइज इन प्लेस आफ सेल्स टैक्स वह भी हमारा रुपया था, वह भी पूरा-पूरा हमको दे देना चाहिए आप सिर्फ उसे वसूलते है । यही नहीं, मैं नेशनल डेवलपमेंट कौंसिल के फैसले की तरफ उस मुद्दे की तरफ वित्त मंत्री का ध्यान आकर्षित करूंगा कि उसकी स्टैंडिंग रिव्यू कमेटी ने इस मुद्दे पर जो रिकमन्डेशन किया था, राज्यों को देने के लिए कहा था लेकिन वह भी आप हमको नहीं देते हैं । उसे भी आप डाइवर्ट कर देते हैं। इसलिए आखिर में मैं यह कहना चाहूंगा कि यह जो फाइनेंस कमीशन ने रिकमेंडेशन्स दी हैं और जिस ढंग से आपने राज्यों के हिस्से काट दिये हैं उसके चलते देश की किसी समस्या का निदान नहीं हो पाएगा और ऐसा हमने पहले कहा था कि अभी जो राज्य मिलिट्री शासन में चले गये हैं और अगर आपने और भी राज्यों को भेजना हो तो आप इसी नीति पर चलिये । नहीं तो मैं चाहूंगा कि आप अपनी नीति पर सर्वांगीण रूप से विचार कीजिये । आपको यह जान लेना चाहिए कि राज्य भी हमारे देश के ही हिस्से हैं । केन्द्र को अगर धन की जरूरत है तो जो ब्लैक का रुपया है उसको आप बाहर निकालिये, स्मलिंग को बंद कीजिये और टेक्स इवेजन को रोकिए । तभी इस देश की समस्याओं का समाधान हो सकता है अन्यथा नहीं हो सकता है। यही एक मात्र रास्ता है जो देश को प्रगति के पथ पर ले जाने का रास्ता है ।

श्री सत्य प्रकाश मालवीय (उत्तर प्रदेश): उपसभापति महोदय, वित्त आयोग का गठन संविधान के प्रावधानों के अनुसार होता है । उसमें इस बात का प्रावधान है कि प्रत्येक पांच वर्ष में वित्त आयोग का गठन किया जाये । हमारे संविधान निर्माताओं और हमारे संविधान की यह मंशा है कि वित्त आयोग की जो सिफारिशें हों वे शत-प्रतिशत सरकार की ओर से लागू की जायें क्योंकि वित्त आयोग ही एक ऐसा

[श्री सत्य प्रकाश मालवीय]

आयोग है जिसके लिए इस बात का प्रावधान किया गया था और इस बात की व्यवस्था की गई थी कि वित्त आयोग जब अपनी सिफारिशें भेजेगा तो सरकार उन पर विचार करके निर्णय लेगा। लेकिन ऐसा लगता है कि जो वित्त आयोग की सिफारिशें है उनको वर्तमान वित्त वर्ष 1984-85 में न लागू करके, न केवल संविधान के साथ, बल्कि वित्त आयोग के साथ मजाक उड़ाने की कोशिश की जा रही है। इसलिए केन्द्रीय सरकार से मेरा निवेदन है कि वित्त आयोग की जो सिफारिशें है उनको पहला अप्रैल, 1984 से लागू करें। उनका यह कहना कि वित्त आयोग की जो सिफारिशें या संस्तुतियां हैं, वे देर से प्राप्त हुई है, इसमें वित्त आयोग की कोई गलती नहीं है। इसमें वित्त आयोग की तरफ से कोई संशोधन या परिवर्तन नहीं किया गया है। प्रो० निर्मल चटर्जी ने अपने सारगर्भित भाषण में इस ओर ध्यान आकर्षित किया है। आपने इस बात की भी चर्चा की है कि जब वित्त आयोग गठित किया गया था तो बहुत दिनों तक वह इसलिए काम नहीं कर सका कि उनको कमरा नहीं मिला, स्थान नहीं मिला, स्टाफ नहीं मिला। फिर बीच में एक अन्तर्राष्ट्रीय मेले की व्यवस्था आ गई। इसलिए वित्त आयोग के कार्यालय को वहां से हटा कर बहुत दूर दो कमरे दिलाये गये। एक कमरा तो एक स्थान पर मिला और दूसरा कमरा दो किलोमीटर की दूरी पर स्थित था। इस कारण से वित्त आयोग अपनी सिफारिशें देर से प्रस्तुत कर पाया। इसके लिए मैं समझता हूं कि सरकार जिम्मेवार है। सरकार को यह जिम्मेवारी अपने ऊपर लेनी चाहिए और वित्त आयोग ने जो सिफारिशें की हैं उनको तुरन्त लागू करना चाहिए। जहां सरकार की मंशा होती है, जहां सरकार की इच्छा होती है, वहां सरकार पूर्व-प्रभावी रूप में परिवर्तन कर देती है और अपनी बात को लागू कर देती है। संविधान में संशोधन करके पूर्व-प्रभावी कर देती है। जहां सरकार की मंशा होती है, जैसे चुनाव कानून में उसने पूर्व-प्रभावी रूप में परिवर्तन कर दिया। अध्यादेश जारी करके उसको पूर्व-प्रभावी कर दिया। अध्यादेश जारी करके चुनाव कानून में संशोधन कर दिया और पूर्व-प्रभावी रूप में लागू कर दिया। इसलिए जहां तक मेरी जानकारी है, वित्त आयोग ने शायद जुलाई में सिफारिश की थी। सरकार को वित्त आयोग की सिफारिशों को उसी वर्ष से लागू कर देना चाहिए। वित्त आयोग का हैसियत जज की तरह से होता है। उसके आगे दो पार्टियां होती हैं। एक पार्टी केन्द्रीय सरकार की होती है। और एक पार्टी राज्य सरकारें होती हैं और जो वित्त आयोग फैसला देता है उसको मानना सरकार के लिए अनिवार्य है। मान्यवर, राज्यों को संसाधन देने के लिए संसाधनों में 84 प्रतिशत की वृद्धि की गई है इससे पिछड़े और विशेषकर जो गरीब राज्य है, निश्चित रूप से उनको लाभ होगा। केन्द्रीय सरकार को उन संसाधनों को लागू करना चाहिए। जहां तक शिक्षा, स्वास्थ्य, कानून और व्यवस्था हरिजन कल्याण या पिछड़े वर्गों के कल्याण का प्रश्न है, यह सब राज्यों के विषय है। इन मुद्दों पर राज्यों को बहुत बड़ी धनराशि खर्च करनी पड़ती है। लेकिन राज्यों को इन मुद्दों पर जो धनराशि आवंटित की गई है वह 1 हजार करोड़ रुपये से कम है। यह ऊंट से मुंह में राई के समान है। जो 20-सूत्री कार्यक्रम को कार्यान्वित करने का इतना बड़ा ढिंढोरा पीटा जाता है, इससे इस 20-सूत्री कार्यक्रम का एक अंश भी कार्यान्वित नहीं हो पायेगा। यह धन अपर्याप्त है। इस धनराशि में पर्याप्त वृद्धि करनी चाहिए। राज्यों की जो सिंचाई

योजनायें है, बिजली की योजनायें हैं, आवागमन सड़क परिवहन की योजनाएं है, इसके लिये भी केन्द्र को विशेष धनराशि आवंटित करना चाहिए । अभी श्री चतुरानन मिश्र जी चर्चा कर रहे थे कि हमारे देश की जो स्वायत्त शासी संस्थायें हैं नगर पालिकायें, महानगर पालिकायें, टाऊन एरिया यह जो संस्थायें हैं इनके पास संसाधनों का बहुत कमी है और जो न्यूनतम नागरिक सुविधायें हैं उनको भी ये संस्थायें कार्यान्वित नहीं कर पाती । लेकिन आयोग की रिपोर्ट में इस ओर जरा भी ध्यान नहीं दिया गया है । मेरा सरकार से अनुरोध है कि इस ओर विशेष ध्यान देकर जो हमारी स्वायत्त शासी संस्थायें हैं उनको विशेष रूप से धनराशि आवंटित की जाये । मान्यवर, हमारे देश में जो पिछड़े प्रदेश हैं, उत्तर प्रदेश, बिहार, हिमाचल प्रदेश, मध्य प्रदेश और बंगाल ये सब करीब-करीब प्रतिवर्ष किसी न किसी प्राकृतिक विपदा के शिकार होते हैं । किसी प्रदेश में सूखा पड़ जाता है, किसी में अतिवृष्टि हो जाती है और कहीं पर बाढ़ आ जाती है, इससे जो किसानों की फसलें है, जो लहलहाते खेत है वे बरबाद हो जाते हैं और साथ ही साथ गांव के गांव बह जाते हैं, नष्ट हो जाते हैं। मैं वित्त मंत्री महोदय से निवेदन करना चाहता हूं कि जिन राज्यों में इस तरह की प्राकृतिक विपदायें आती हैं, जिनके जरिये वहां के नागरिकों का जीवन कष्टमय होता है, उन राज्यों को जो हानि होती है, उस हानि को केन्द्र को पर्याप्त धनराशि देकर पूरा करना चाहिए । इसके लिए जो अधिकतम सीमा है धनराशि की, उसमें वृद्धि करनी चाहिए । एक सुझाव रेल यात्रियों के संबंध में है कि रेल यात्रियों पर कर के बदले अनुदान दिया जाय, ऐसी सिफारिश की है और उसमें कहा कि प्रतिवर्ष दिये जाने वाले अनुदान की राशि 1984–85 से 1988–89 तक प्रतिवर्ष 95 करोड़ रुपया बढ़ाई जाये । वित्त मंत्री जी ने कहा कि इसको रेलवे समिति के पास विचारार्थ भेजा जायेगा और समिति द्वारा स्वीकार किये जाने पर ही केन्द्रीय सरकार इस स्थिति में होगी कि तत्संबंधी सिफारिशों को लागू किया जाये । मेरा अनुरोध है कि वित्त आयोग की जो सिफारिश है उसको केवल केन्द्रीय सरकार को देखना चाहिए और रेल विभाग को किसी समिति या उपसमिति के पास नहीं भेजना चाहिए । मान्यवर, पृष्ठ 121 और 123 में आयोग ने सुझाव दिया है कि किस प्रकार से आयोग की सहायता की जाये और सरकार की ओर से किस प्रकार की उसके लिए व्यवस्था की जाये, जिससे आयोग अधिक क्षमता के साथ, प्रभावशाली ढंग से भविष्य में काम कर सके । मेरा सुझाव है कि आयोग की जो सिफारिशें इस संबंध में हैं, उन सब को सरकार को कार्यान्वित करना चाहिए । मान्यवर, पृष्ठ 148 में एक चर्चा की गई है । परिशिष्ट एक में राज्यवार क्षेत्रफल और जनसंख्या हैडिंग के अन्तर्गत चर्चा की गई है और उसमें यह कहा गया है कि हिन्दुस्तान की भूमि चीन के अवैध कब्जे में है । मान्यवर, कल 15 अगस्त है। 15 अगस्त इस देश की अखंड आजादी की याद दिलाता है और साथ ही देश के बंटवारे की भी याद दिलाता है। यह बहुत ही दुर्भाग्यपूर्ण है कि जिस आयोग का गठन इस केन्द्रीय सरकार ने किया उस आयोग को इस सरकार को इस बात की याद दिलानी पड़ी कि आज भी हमारी भूमि का एक हिस्सा ऐसा है जो दूसरे मुल्कों, पाकिस्तान या चीन के कब्जे में है । इसलिए मैं सरकार से अनुरोध करता हूं कि सरकार को इस संबंध में भी आवश्यक कार्यवाही करनी चाहिए । आखिर में मजबूरन आयोग को इस बात का सुझाव देना पड़ रहा है। इन शब्दों के साथ मैं अपनी बात समाप्त करता हूं ।

SHRI B. SATYANARAYAN REDDY: Mr. Deputy Chairman, Sir, the Eighth Finance Commission was

[Shri B. Satyanarayan Reddy]

appointed by the president on 20th June, 1982. The Commission submitted its interim report on 14th November, 1983, and certain recommendations were made therein. The Commission submitted its final report on 30th April, 1984. Although Parliament was in Session, these recommendations were not placed before Parliament. They should have given a broad outline of the recommendations of the Commission and Goverment's view on them. But this has not been done.

The Eighth Finance Commission has made a specific recommendation that with the commencement of the financial year 1985-86, the surcharge on Income-tax be withdrawn and the basic rates of Income-tax suitably adjusted. If this is done, it would result in additional resources to the States, as the Commission has recommended that even after the withdrawal of the surcharge and adjustment of Income-tax, the States' share in the divisible pool should remain at 85 per cent. Unfortunately, this part of the recommendation was not accepted by the Government. The financial year, 1985-86, is far away. We are going ahead with the preparations for the Seventh Plan. Therefore, it is necessary and I would request the Government of India to reconsider and accept the recommendations of the Eighth Finance Commission.

Sir, the Eighth Finance Commission has observed as follows in regard to corporation tax I quote—

> "As regards the corporation tax, the grievance of the States is even stronger. The Sixth Finance Commission had suggested a review of the question by the National Development Council and the Seventh Finance Commission had also suggested that the Central may consider, holding consultations with the States, in order to settle it finally. We do, however, think that a further review of the matter is overdue and it is important to remove this major irritant in Centre-State relations. Corporation tax has shown a highelasticity and it would only seem fair that the States should also have access to such a source of revenue."

This is the observation made by the Eight Finance Commission. But unfortunately this has not been accepted by the Government.

The most elastic source of revenue is union excise duties. The Seventh Finance Commission has recommended a step up from 20 per cent to 40 per cent which has given substantial additional resources to the States. Most of the Finance Commissions, except the Seventh Finance Commission, have adopted what is called the gap-filling approach. In determining the quantum of devolution, they have kept in view the gap between anticipated revenue and expendjture. It is significant that the Seventh Finance Commission has departed from this view. In this connection, I would like to quote from the Seventh Finance Commission's report. "In our view, the role of the Finance Commission should not be negative. Our view of filling in the revenue gap is positive in that this scheme of devolution gives a better start for the developmental outlay." It was the fervent hope of all the States that the new approach followed by the Seventh Finance Commission would not only be continued but would also be strengthened by successive Commissions. However, the Eigth Finance Commission has gone back to the gap-filling approach.

Sir, the recommendations of the Eighth Finance Commission have not been implemented this year itself. As a result of this, so far as Andhra Pradesh is concerned, this decision of the Government of India has resulted in deprivation of nearly Rs. 108 crores. In point of fact, the recommendations of the Eighth Finance Commission were available to the Government of India as early as 30th April, 1984, and

I think, it would have been more logical and easy for the Government to have accepted the recommendations of the Eighth Finance Commission in toto and made them operative from 1984 itself. But you have not done this. As a result of this we are incurring a loss of Rs. 108 crores. So, we urge upon the Government, firstly, to implement the recommendations of the Eighth Finance Commission from 1984-85 itself and, secondly, that the recommendations of the Eighth Finance Commission relating to surcharge, income-tax and corporation tax should also be accepted immediately by the Government of India and additional resources made available to the States for implementing the Seventh Plan.

Here I would like to draw the attention of the hon. Finance Minister to one more point. Our State Government in its memorandum to the Commission sought 60 per cent of Central excise duties and 100 per cent of the income-tax revenue with surcharge also included in I.T. collection for distribution among the States, but the Commission did not accept it. Then, in the Seventh Plan Approach document placed before the recent meeting of the National Development Council emphasis was laid on three objectives, that is, food production, employment and stepping-up of productivity. To achieve this Finance Commission has not dwelt on the additional burden of the States. While the Sixth Finance Commission provided for the distribution of Rs. 10,000 crores to the States, the figure comes to Rs. 21,000 crores in the recommendations of the Seventh Commission. Now it was based at Rs. 38,500 crores. However, the Rs. 17,500 crores increase did not mean any increase in the percentage of the distribution. It merely reflected the increase in tax receipts and the buoyancy prevailing during the last five years. The States would have gained more according to the recommendations of the Seventh Commission. So, the matter before the House is the present Eighth Finance Commission report and the refusal of the Government to implement the recommendations. By this the States are put to a loss. I would request the Finance Minister to reconsider and accept the recommendations of the Eighth Finance Commission.

SHRI S. W. DHABE (Maharashtra): Mr. Deputy Chairman, Sir, we are considering the Eighth Finance Commission which is based on article 280 of the Constitution. Part XII of the Constitution talks of Finance, Property Contracts and Suits. In this Part it is mentioned how some revenues are to be collected by the Union and some by the States. As for example, article 275 is there. Article 275 provides for grants to various States from the revenues by the Union Government on certain consideration. Article 280 says: It shall be the duty of the Commission to make recommendations to the President as to how the revenue which is shareable should be distributed between the States. And under this article we are discussing this report of the Eighth Finance Commission. Article 281 of the Constitution provides that the recommendations of the Finance Commission are to be implemented by the Government and action taken is to be placed before the Parliament. In view of this position under article 281, I must say the Finance Minister has done a great service by having a discussion on the subject here which he was not bound to do under article 281.

Sir, in this report of the Eighth Finance Commission the criteria adopted are: Firstly, developed States and the backward States and the whole discussion is based on that. Some percentage is given to the backward States to develop the areas. But there is no criterion for distribution of the revenues so far as backwardness within the States is concerned. All the development schemes are to be administered by the State revenues although the collection is made both by the Centre and the States and the figures of collection are also very good. In 1950-51 the collection by the Centre was Rs. 5600 crores, while the collec-

[Shri S. W. Dhabe]

tion by the States was Rs. 4231 crores. In 1981-82, it was Rs. 1554 crores by the Centre and Rs. 1666 crores by the States. All the development schemes are to be implemented by the State Governments. Therefore the development programme is for the Sate Governments to implement and the revenue is collected by the Centre.

6 P.M.

Another aberration which has come is what we call the administered prices. For all the inputs in every manufacturing industry—like coal, oil etc.—the price control is with the Central Government. States have nothing to do with it. Coal prices were increased by 25 per cent. Oil prices are increased. Other administered prices of spare-parts are increased. The result is that it has become costly not only for the people but also for the State Governments to implement their schemes.

One casualty of this is the decentralised planning. We have totally failed in decentralised planning. Under the Industries (Development and Regulation) Act, all powers of location and licensing are with the Centre. The States have only to carry out the schemes. In the planning the objective was to decentralise the industry. But there is concentration of capital at some places in every State while the other areas have remained backward. Coming from Maharashtra, I would like to point out that the entire concentration is in Bombay only. I shall point this out later on. The Vidarbha area and the Marathwada area have remained backward. Dandekar Committee was appointed which said that they have a backlog of Rs. 2000 crores for that particular area. There is no industry there. This is one problem which I would like the Minister to consider very seriously. It is there in every State. But I am giving the example of my State of Maharashtra. Sixty-nine per cent of the industries are located in Bombay-Poona-Thana area, 11 per cent in Poona and 9 per cent in Thana. In the whole of Vidarbha with 8 districts, the industries are only 7 per cent. In Marathwada they are only 3 per cent. Employment potential is 81 per cent in Bombay city and 19 per cent is distributed throughout 27 districts.

The Finance Commission was to consider the special problems. I was surprised that the special problem which the Maharashtra Government has given as is seen from page 86 of the Report, is that of congestion of Bombay city. The chapter on special problems is very interesting. The Finance Commission has the authority to give grants-in-aid for special problems facing the States. And what is the special problem given by the State Government of Maharashtra? If you see para 12.62, Maharashtra Government has requested upgradation grants to the order of Rs. 1000 crores for solving the problem of urban congestion in the city of Bombay. Under Art. 371(2), there have to be separate development boards for Vidarbha, Marathwada and the same is the case with Kutch and Gujarat. These are statutory provisions in the Constitution. These areas require special attention. On the basis of population employment has to be given in each particular area—for example to 25 per cent of population in Vidarbha area, but we are not getting even one per cent employment. Therefore my suggestion for the consideration of the Finance Minister is that the criteria of "backward State" and "forward State" has outlived its utility. Now you must give for areas within the State. I do not find any constitutional provision that there should be a State Finance Commission to distribute the revenues in the various districts and various areas. But the criteria stipulated should be the backward areas within the State which require special consideration, which, I am sorry to say has not been adopted by the Finance Commission. I am sorry to say that the Maharashtra Government has lost the opportunity. They demanded only Rs. 1,000 crores for the development of Bombay city and decongestion but other areas are totally neglected.

There are two other problems which I would like to mention. This current Report, at page 24, has considered objective criteria for giving grants to States on the emoluments of State Government employees, dearness allowance and other allowances. This objective criteria is a very funny thing which has been evolved in this, and the Chairman of the Finance Commission has said that this has been going on from 1971 and, therefore, he did not want to make any changes in it. But his recommendation on page 22, para 3.57 says:—

> "Our limited concern is merely to evolve an appropriate objective criteria on the basis of which provisions can be made during the forecast period."

There are demands by the different States that they want to give dearness allowance to be sanctioned as per the Centre. There are also demands by some Chief Ministers to make provision for States to pay interim relief and bonus to the same extent as sanctioned by the Centre. Then the All-India State Government Employees' Federation and the Central Government Employees' Federation have submitted a memorandum on the issue and have pleaded that this item should be covered for payment of bonus and interim relief while considering giving relief to the States. Though many Chief Ministers have requested it to make provisions to enable the States to pay interim relief as sanctioned by the Central Government to its employees with effect from 1st June, 1983 and ad-hoc bonus from employees from 1982-83, I find that recommendations have not been made on the simple ground that the objective criteria is 1-4-1982. I would plead with the Finance Minister that the Central Government has declared bonus, which is a good thing, without consulting the State Governments. The Central Government increased the dearness allowance, and the State Governments' clamour is that they should get uniform dearness allowance. Some States have increased the emoluments, but not all the States. The Report itself says that they have to make averages of that. Now the time has come when there must be a devolution of the shares in the revenues to the State Governments concerned also on the basis of the emoluments and other benefits which the Central Government gives to its own employees. Otherwise the distinction is that they are not getting the revenue for the purpose for which it is collected, and the result is that in many States this problem is creating discontent and it may erupt any day. Therefore, my suggestion is, the objective criteria which is mentioned in this Report which is going on from 1971-72 requires reconsideration and remodelling and it should be changed so that the new policy of the Central Government even to pay bonus to the Central Government employees is covered.

There is one more thing which I want to say and then conclude. On page 19 of the Report are the criteria for expenditure. What are the items considered? For educational institutions—primary schools and middle schools—furniture, equipment, laboratory stores, etc., are the basic amenities which are to be considered for grant-in-aid and 4.5 per cent is the rate of expenditure which is calculated by the Commission for giving the grant-in-aid. This criteria must change. Day after tomorrow we are going to discuss about our dismal performance in sports. What are we spending in this country? Four paise per head is the expenditure in our country on the development of sports. If any Government were to cut the grants, the first grant that is cut is on sports and ten per cent of the grant has been cut by many State Governments last year. There is no planning at this level. If a sizeable amount is not spent, how can you expect that we can have a healthy generation? There are provisions for building primary schools and secondary schools but there is no provision for playgrounds. I would plead with the Minister that the criteria which are given for expenditure are different. I do not want to go into judicial and other matters.

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I will give only one suggestion. This criteria also has become outdated and this must be changed to suit the present-day needs, and that is very very essential. Therefore, this report is only what is called a routine report; there is nothing new in it, except for one thing which the Minister has done, that instead of 1984-85 the States' share will begin only after four years. I would plead with the Finance Minister that even now he can make a revised budget or make adjustment in the next year so that whatever amount of share they were entitled to get could go to them in the next financial year.

MR. DEPUTY CHAIRMAN: Mr. Rameshwar Thakur, the last speaker. Would you like to speak?

SHRI RAMESHWAR THAKUR (Bihar): Yes.

MR. DEPUTY CHAIRMAN: All right. Speak for five minues.

SHRI VITHALRAO MADHAVRAO JADHAV (Maharashtra): He is an economist.

MR. DEPUTY CHAIRMAN: That I know.

SHRI VITHALRAO MADHAVRAO JADHAV: Give him more time.

SHRI RAMESHWAR THAKUR: Mr. Deputy Chairman, Sir, I am thankful to you for having given me this opportunity. We are really thankful to the hon. Finance Minister who has been good enough to give us this opportunity, I would say, out of turn, to make our observations on the Eighth Finance Commission's report. We would like at the outset to lay on record our appreciation of the commendable work done by the Finance Commission under the Chairmanship and guidance of Shri Y. B. Chavan whose ability, knowledge and statesmanship we are all aware of. Sir, when we are discussing a report of this kind, sometimes we forget that we have national obligations. The Finance Commission itself is a creation under the Constitution. We have constitutional obligations in establishing norms and practices. We may certainly be interested in the development of certain areas and certain States, but we should not forget that with the obligations which the Centre has got for the people and also for all the States, we have similar obligations and we should talk objectively about the actual criteria that have been followed by the Government and see whether we have any suggestions to make to make improvements, whether we feel that in the criteria which are being followed by the Commission, particularly the Eigth Commission, there are certain degrees of variations from the earlier, Seventh and other, Commissions. We find that after talking to the various interests, including the State Governments, the Finance Commission has evolved some criteria which have been repeatedly mentioned by the Members and in the initial stages our able Finance Minister himself had explained to us the basis on which they are based and distributions have been recommended by the Finance Commission. Sir, it is very surprising that instead of appreciating or making any positive contribution to make alternative suggestions about the criteria, about the distribution pattern itself, or any other specific suggestions which might lead to, or help the various States to evolve development programme without impairing the interests of other States or the pattern under the Constitution or the obligations of the Central Government in this regard.

Sir, some of the Members in the very beginning, particularly Prof. Nirmal Chatterjee, who is a very knowledgeable person, made certain observations. I would like to briefly deal with some of them. Of course, it will be the prerogative of the hon. Finance Minister to reply to them. But as a Member I feel I should deal with one or two things of what Prof. Chatterjee said. He says that the raising of prices and deficit financing has been the prerogative of the Central

Government. Sir, it is very surprising. In any developing economy deficit financing is there. But if we see the successive Plans for he last three or four years, the Budgets presented by the hon. Finance Minister, in spite of the heavy investment in the core sector, in the rural development sectors and other development programmes, the deficits have been the minimum. In spite of the international trend, our commendable performance in the price control has been there. This should be appreciated. Instead of appreciating, we are imputing motives which are not real facts.

Secondly, Sir, he has also said that there should be equal pay for equal work, and, therefore, particularly in the context of West Bengal he felt that the employees should be paid more. Sir, it is the prorogative of the State Governments to pay to its employees. That is one factor. When Prof. Chatterjee says that, I ask whether his colleagues do not think sincerely that equal pay means equal work. Some of the institutions which are there in the States, are they really working? Whatever pay they are getting, it is a general feature now in many of the public sector undertakings that we are not getting the desired results towards which concern has been shown by the Finance Commission, Sir.

Particularly the Finance Commission has drawn our attention to the working of two institutions. I am not saying it in the context of only West Bengal. Particularly they have said in regard to the return on the investments in the power projects at page 15. When we talk about finances to be given more and more to the States, the question is about management of the finances at the State level. There I am quoting two aspects mentioned in the Approach. One is the return on the investment in the power projects, and the other is the return on the investments in the road transport undertakings.

As we are aware, on this, earlier the Venkataraman Committee had reported that the electricity boards should give return of 11 per cent. The Rajadhyaksha Committee which submitted its report in 1980 said that a gross income of 15 per cent should be there. We know that the World Bank has also been assisting rural electrification. We also are aware that under section 59 of the Electricity Supply Act, 1948 which has been amended, it is said that the tariff should be so as to ensure that the total revenue in any year of account shall leave such surplus as is not less than 3 per cent. In spite of the norm, Sir, we are aware that a good number of electricity boards are running in huge losses, and it is one of the problems of the State Governments. Similarly, in the case of the road transport corporations, Sir, the norms are there. At least many of them are working under losses. This creates problems for the finances of the States.

Sir, the other thing which was pointed out was about tendencies because the major recommendations were not accepted. This was mentioned by Mr. Chatterjee. The hon. Finance Minister will reply. But so far as we understood, he said that most of the recommendations had been accepted. The hon. Member possibly said the other way, that most of the, or the major recommendations had not been accepted. We are not able to appreciate what he said. But to say that there are tendencies for secession and all such threatening words is not proper to be used in this House by such senior hon. Members in regard to distribution of the revenues which is made by competent independent bodies formed under the Constitution.

Another thing is, two Members have mentioned...

MR. DEPUTY CHAIRMAN: Please conclude now.

SHRI RAMESHWAR THAKUR:.... about some delays in regard to the working of the Commission. I do not think that smaller matters should be

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brought and discussed here. Two Members...

MR. DEPUTY CHAIRMAN: Leave them. The Minister will reply to all the Members. Don't worry.

SHRI RAMESHWAR THAKUR: All right, Sir. The Minister will certainly reply. Particularly Mr. Kailash Pati Mishra mentioned about the terms of reference of the Finance Commission.

MR. DEPUTY CHAIRMAN: All right leave it at that point. Thank you very much.

Now, Hon'ble Minister will reply.

SHRI PRANAB KUMAR MUKHERJEE: Mr. Deputy Chairman, Sir, first of all, I would like to express my gratitude to the hon. Members who have made their contributions on this important discussion. Sir, on an issue like this when the question of distribution of resources between the States are concerned, it is quite natural that the hon. Members who represent the States in this Council of States would try to highlight the interest of the States they represent. Sir, as I mentinoned in my introductory remarks, the Eighth Finance Commission has performed a commendable job in the sense that they have taken note of the fact that certain States require additional assistance and keeping that in view they have made recommendations to that effect. On the part of the Government we have accepted the recommendations of the Finance Commission, I mean the major recommendations, in regard to the devolution of taxes and in regard to the grant-in-aid.

In regard to the implementation of the recommendations of the Commission from the year 1984-85, I would like to come a little later on. But I would like to clarify one point which some hon. Members have referred to, that by not accepting the entire recommendations of the Finance Commission, the action of the Government may be termed, as put by the spokesman of the Communist Party (Marxist), unjust, unconstitutional and illegal. Sir, it is nothing like that. In this connection, I would like to draw the attention of the hon. Members to what the Chairman of the Drafting Committee no less a person than my illustrious predecessor, Shri T. T. Krishnamachari said when this issue was debated he referred to the Directive Principles debate when this particular issue was debated in the Constituent Assembly and while introducing this subject, he made it clear what would be the role of the Finance Commission within the overall frame-work of constitutional operation. And so far as resources distribution is concerned, he anticipated what would be the approach and attitude of Members of Parliament and they may be interested, if I quote a few lines from the Constituent Assembly Debate, Volume 9, 1949, page 326:

> "Parliament must leave it to the executive to undertake the very onerous duty of distribution between the various provinces based on certain principles to be laid down by the Parliament, the proceeds of certain taxes levied, collected, etc., etc."

In regard to the Finance Commission his comment was:

> "Our Finance Commission will also only be an aid to the administrative machinery even though created by an Article in the Constitution and their recommendations must be decided on by the executive."

The third part of his observation was:

> "The executive can accept the recommendations if they are feasible and desirable."

Sir, I would like to underline the word "feasible and desirable".

Therefore, it is not unconstitutional it is not illegal; and it is not also unjust.

An attempt has been made by some hon. Members to project that as a result of the non-implementation of the recommendations of the Eight Finance Commission from the 1st April, 1984, the Centre has saved a lot of money at the cost of the States. It is absolutely wrong. There is no question of saving any money at the cost of the States. I explained on the floor of the other House what would have been the scenario if the recommendations of the Finance Commission were available to us in due time, while formulating the budget proposals for the year 1984-85. I would have taken note of the fact that my share in excise duty is coming down from 60 per cent to 55 per cent as per the recommendations of the Finance Commission. I would have taken note of the fact as to what would be the net transfer under grant-in-aid to the States. And I would have also taken note of the fact as to what would be my commitment to meet the defence expenditure and other types of expenditure. And after taking all these factor into account, I would have indicated to my colleague, the Minister in charge of the Planning Commission, that this much of amount would be available to him to distribute to the States as Central assistance towards the Plan. The same exercise would have been done. I will request hon. Members to keep in mind the fact that as a result of the recommendations of the Finance Commission, no new asset is being created no new resources are being created. The resources are created by the Finance Minister either by taxation or by borrowing or by deficit financing or by increasing the administered prices. Therefore, if the recommendations of the Finance Commission were available to us while formulating our budget proposals for the year 1984-85, I would have taken note of these factors and distributed accordingly. Now, what have I done actually? As I mentioned on earlier occasions, it is the contention of the hon. Members that nearly Rs. 1,500 crores should have been transferred from the Union to the States as a result of the recommendation of the Eighth Finance Commision if they were implemented from the 1st April, 1984, and actually alomst that amount of money has been transferred. We have stepped up Plan assistance to the extent of 10 per cent, which would mean roughly about Rs. 550 crores. We have adjusted the overdrafts of certain States, who would have otherwise been recipients of grant-in-aid under the recommendations of the Finance Commission to the extent of Rs. 499 crores—almost Rs. 500 crores. And I would remind the hon. Members that in my budget speech, I had made a proposal that there was a persistent complaint from those States who did not resort to overdrafts, who managed their finances in a better manner and simply I could not forget them and they required some support from us for the better management of their finances and, therefore, some sort of an incentive scheme would be worked out in the course of the year. For that also we shall have to provide certain money. And if you take into account all these factors, you will find that almost the same amount of money was transferred. The question is, through which route it was transferred? If the Finance Commission's recommendations were available to me before the presentation of the budget, I would accepted the Finance Commission's route. And one cannot accept the position that we have so much resources that after the devolution, after meeting the commitments as per the recommendations of the Finance Commission, I could have stepped up the Plan assistance by 10 per cent, I could have adjusted the overdrafts to the extent of Rs. 500 crores and I could have given something to the States for better management of their finances. Simply it would not have been possible.

The second point is, it is not that always we give money through the recommendations of the Finance Commission. Most respectfully, I would like to submit for the consideration of the hon. Members that when we started the current Sixth

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Five Year Plan, we told the States: during the earlier period, we have provided you certain advances.

The amount would be roughly Rs. 1400 crores. The Planning Commission, in consultation with the Finance Minister, decided, and the States were informed, you are not to pay back that amount of money during the current Plan period. There was no recommendation from anybody. The Union Government itself decided to privide this assistance to the States. At the time of the Plan it was decided that the net Central assistance over the period of five years from 1980-81 to 1984-85 would be Rs. 15,350 crores. But when we found, particularly in the last three years, that we could give a little more to the States, we did not wait for the recommendation of any body like a Finance Commission or for the advice from honourable Members of Parliament. We *suo motu* decided that we should increase the assistance to States and we did so to the extent of Rs. 17,790 crores. That means, Rs. 2440 crores we gave more to the States. In respect of overdraft adjustment we have given Rs. 1742 crores on 31-3-1982 and Rs. 499 crores on 31-3-1984. I am quoting this fugures not to say that we have done simething very big. But my limited point is that if the resources permit, if we are in a position to help the States, irrespective of the recommendation of a body like the Finance Commission or others, we extend our support to the States keeping in view the needs and requirements of the States in the process of development. I am not going into the question of Centre-State relations now. We have made it abundantly clear that without a strong Centre there cannot be strong States and at the same time if the States are constantly dependent upon the Centre, then the Centre cannot be strong enough. Therefore, in the ultimate analysis, we shall have to keep in mind, when the States go in for overdrafts, when the States find that certain resources have to be made available to them, when there is a situation like this, to whom would they go? They would go to the Centre and if the Centre is not in a position to help them, if the Union is not in a position to help them, then, I do not know what the situation would be. Some Members tried to project the picture in such a way as to show that we have benefited by this and something has been kept in the pocket of the Union Government at the cost of the States. No, it is not so. Whatever we could do, we have done through the other route instead of doing it through the Finance Commission route. In this connection, I would draw the attention of the Members and ask another point: Do you seriously believe that mere transfer of resources is adequate to ensure that the States would stand on their own legs? I will start from the observation of Mr. Dhabe. While making his observations—I do not recollect who it was, whether Mr. Dhabe or someone else—he made a point that dring the Seventh Finance Commission the share of the excise duty to be transferred to the States was made almost double, from 20 per cent to 40 per cent. And what has been the effect? I am referring to one State, for instance. During the Seventh Finance Commission period the total deficit of the States was Rs. 858 crores, and after the devolution it was projected that the State would have a small surplus, and after getting 40 per cent of the share of excise duty—it is a very highly industrialised State—so far as per capita is concerned, it has the fifth highest per capita—what is the projection we are getting today? The projection that we are getting today is that after devolution of the tax, the State would have a deficit of Rs. 3037 crores. The deficit over the period of five years is increasing from Rs. 858 crores to Rs. 3037 crores, despite the fact that during this period more devolution has taken place.

And the share of the excise duty has increased from 20 to 40 per cent.

That State has also received the benefit of that. That does not mean that we should not transfer more resources to the States. And it has been the practice.

I would like to draw the attention of the Hon. Members particularly to pages 46-47 of the Eighth Finance Commission's report indicating how the Central excise duty has been dealt with by successive Finance Commissions. You will find a very surprising revelation there. It has been pointed out that the Finance Commissions are pro-Centre. They are neither pro-Centre nor pro-States. They are realistic.

In the First Finance Commission you will recollect that the items on which excise duty was distributed to the States were only three namely, tobacco, matches and vegetable products. All other items were outside the divisive pool.

The Second Finance Commission enlarged the items to include sugar, tea, coffee, paper and vegetable non-essential oils.

The Third Finance Commission went one step forward and said that every excise item will have to be brought within the divisive pool except where the net realisation is Rs. 50 lakhs or less than that.

The Fourth Finance Commission went one step further and said that there should be no distinction between whether the net realisation is Rs. 50 lakhs or whether it is less than that and each and every item which is exisable should be brought within the purview of the divisible pool.

The next Finance Commission went one step forward and said that not only basic excise duty, even special excise duty, should be brought within the divisive pool.

The Seventh Finance Commission, as the Hon'ble Members are aware, have increased the share of duties from 20 to 40 per cent. And the Eighth Finance Commission has increased it further from 40 per cent to 45 per cent.

As the Hon'ble Members are aware, out of the total tax revenue of Rs. 23,000 to Rs. 24,000 crores, only 50 per cent come from excise duty. So, is the Finance Commission pro-Centre? And yet every time these are accepted by the Union Government, knowing full well the implications thereof. Therefore, it would not be correct to say that the recommendations of the Finance Commission are pro-Centre. You cannot also accept what Mr. Dhabe has said that some parts of the recommendations are good, but some are not. We cannot accept that position. When you are distributing 100, if some States are to get more, others are bound to get less. Nowhere you can have a situation where everybody will be getting more.

If you look at the recommendations of the Finance Commissions you will find that there is a consistent trend of some States which have got less due to the recommendations of one Finance Commission, getting more as a result of recommendations of the next Finance Commission. I am talking of the overall transfer, including taxes and grants-in-aid. I will give the example of four States.

On the basis of the Fifth Finance Commission's recommendations, the share of Andhra Pradesh was 7.7 per cent. During the Sixth Finance Commission, their share went up to 8.06. During the Seventh Finance Commission their share came down to 7.31. During the Eighth Finance Commission their share went up to 7.34. Still Mr. Reddy was complaining that his State is not getting its due share. In terms of percentage each State cannot always get more because after all the kit contains only 100. You cannot distribute 110 out of 100.

I will give the example of Maharashtra because Mr. Dhabe may be interested in this. Now, take the

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case of Maharashtra. Under the Fifth Finance Commission, its share was 9.6 per cent; under the Sixth Finance Commission, it came down to 7.4 per cent; under the Seventh Commission, it increased to 8.22 per cent; and under the Eight Finance Commission, it came down again to 6.68 per cent. This is more or less the pattern. In the case of West Bengal also, it was 8.44 per cent, 8.56 per cent, 7.66 per cent and 8.74 per cent respectively. And, Sir, this is bound to happen when you give weightage to backwardness. Now, what is the rationale? The rationale I will explain. Somebody was trying to say why we have not given weightage to population. Weightage to population has been given because, in the formula which I have described, everywhere you will notice that population is the important element. I say this because it is per capita income multiplied by population and it is the distance between the highest per capita income of the State and the lowest multiplied by population. So, population remains a constant factor in computing the actual figure. But the result of all this is that some of the most populous States will get more, will get a larger share in the taxes, and States like UP, Bihar, MP, Rajasthan, etc. will get a larger share and also the State which is represented by Mr. Reddy. So far as the taxes are concerned, they will get more. And, certainly, Sir, relatively affluent States will get less because the formulation is simple. Normally, basically it is the job of the Finance Commission and the Finance Commission applies the same yardstick. It would be wrong to come to any hasty conclusion or to make any reflection on the Finance Commission. It has even been asked why a politician should be made the Chairman of the Finance Commission. A politician is the right person and particularly a person like Mr. Y. B. Chavan is the right person, because he is a person who has had the experience of being the Finance Minister, being the Chief Minister of a State, knowing the preblems of the State and also knowing the problems of the Centre. And, Sir, if you go through the Reports of the Commissions, if I understand correctly, you will notice that out of the eighth Commissions, five were presided over by ex-Ministers, starting from Shri K. C. Neogy and ending with Shri Y. B. Chavan, and in between, Sir, Mr. Santhanam and Mr. Mahavir Tyagi were there, and Mr. Brahamananda Reddy also was there. And, Sir, the recommendations of these Commission have taken note of the needs of the States and, at the same time, they had to be practical and realistic also because, after all, their resources are the same, the kitty is common, and the question is how you distribute it, in what from and through what route, you are going to do that. That is the question, and you cannot take the approach that you will have a ten per cent step-up in the Plan assistance, that you will have overdraft adjustments, and, at the same time, you will have a larger devolution. It is simply not possible. Sir, this reminds me of the story which I had read in my school days and it is in the story of David Copperfield. It is the story of Micawber who is always going on borrowing expecting that something might happen. But that something did not happen and, actually, the man had to collapse. So, that something is not possible because we shall have to keep in mind the resources that we have, that the resources are common, that the kitty is the same and it would be wrong to come to the conclusion that mere acceptance of the recommendations of the Finance Commission and larger devolution would ensure that there would be no overdraft. The problem of overdrafts during the period of the Seventh Finance Commission was the greatest. Why was it the greatest? The devolution was larger, and the entire recommendations were for a period of five years. But still it happened. Why did it happen? It happened because the projections of the States' resources were nowhere near

the reality. I am told—particularly it was referred to by Prof. Nirmal Chatterjee—that I told in respect of his State—West Bengal is my State also—that they have done well in respect of resource mobilisation. Yes, they have done well in respect of additional resource mobilisation. But, Sir, it is only half-truth, half-truth in the sense that what they said was not to happen. They said that they would start the Plan, that they would have the balance from the current revenue to the extent of Rs. 699 crores and that that would be *plus*. After there losses in the State Electricity Board, projected loss in the Road Transport Corporation, etc., they said, towards the end of the Plan they would be giving Rs. 699 crores.

And at the end of five years, I find, Rs. 699 crores which was to be a *plus* figure—at the end of five years it has become a *minus* figure or Rs. 957 crores. So where do you stand? And you were just speaking of additional resource mobilisation position was Rs. 512. You are doing Rs. 700—say, Rs. 800 crores. There you are increasing Rs. 300 crores but actual projection was at the time of the Plan, you will give additional resource mobilisation Rs. 512 crores, balance from current revenue Rs. 699 crores; total would be Rs. 1212 crores. And you are ending the year with a total *minus* of Rs. 158 crores. And the States are suffering. Another devolution was made. Adjustments were made. If you say that if I had accepted and transferred this amount of resources, automatically the States' condition would have improved. It is not so. And I have mentioned it on earlier occasions, and I am not going to repeat it, that it lies somewhere else. We shall have to do our best to improve the resource position and to ensure how we can reduce our expenses. It has been suggested to us, so what? If you had gone in for supplementary Budget, if you had gone in for deficit financing, somebody has suggested, why can't you give them more money? Yes, I could give them more money. But what would be the rate of inflation? After all, money is to be created. If on top of Rs. 1742 crores I am to have additional deficit financing to the extent of Rs. 1400 or Rs. 1500 crores, what would be the situation. Therefore, simply it was not possible to accept. And I do not say that the States have not suffered. Yes, some of the States have suffered. But, at the same time, some of the States have gained. It has been pointed out that it would have been a marginal adjustment. What would have been the marginal adjustment? When Maharashtra came for Plan discussion, I told them that as per the recommendations contained in the interim Report of the Finance Commission I am extending the devolution formula of the 7th Finance Commission to this year; as per that you will get 'X' amount of income-tax, 'Y' amount of Excise Duty, and 'Z' amount of Additional Excise Duty. After computing the final recommendations being made available to us, if I am to tell the Chief Minister of Maharashtra that he will get Rs. 61 crores less would it be possible for him to adjust? It is not in respect of one State. In respect of all the 22 States there will be *plus* figure and there will be *minus* figure. Some body will get more, some body will get less. But without recasting your Budget, without recasting your Plan, you cannot implement it. Simple it is not possible. And when I listened to some of the observations, it appeared to me, Sir, that perhaps they are trying to distribute resources which are not visible. If you try to distribute resources which do not exist, which are not visible, you are living in a make-believe world. Simply these resources are not available. Otherwise I would have done it. It would have been much easier for me when I had accepted the entire recommendations, the major recommendations of the Finance Commission in respect devolution, in respect of grant-in-aid, and it would have been easier for

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me to give it through the Finance Commission route and avoid all sorts of criticism. It is neither hijacking nor playing the role of Bhindrawale, which has been commented upon by Mr. Chatterjee. (*Interruptions*).

Sir, two issues have been raised in respect of surcharge and in respect of corporation tax. Most respctfully may I remind the House that this issue was being debated in our earlier Finance Commissions. And I would like to quote from the Finance Commission Report—page 232 of the Report—where it is referred to in a meeting taken by no less a person than Mr. Lakadwala. He was the Deputy Chairman of the Planning Commission, and the meeting was of the State Chief Ministers. And the meeting took place—I may tell the date so that Mr. Dhabe and Mr. Gurupadaswamy may keep it in mind—on 25th May, 1979. We were not here at that time. We were there. Most of the Chief Ministers were with you. And at that meeting, the consensus was that we should not change the corportion tax and bring it within the divisible pool, and that the status quo shoud be maintained. And today, just sitting from that side, if somebody comes and tells me because of the accident of chang of seats that the entire philosophy is to be changed, Mr. Deputy Chairman, Sir, I am sorry, L cannot accept that position.

SHRI S. W. DHABE: For the first time you are supporting the Janata Government proposal.

SHRI PRANAB KUMAR MUKHERJEE: I am not supporting. Mr. Dhabe, what I am saying is that on number of times I have supported on the real issues. I have no hesitation in telling that. But on this also, they took into account the reality. The State Governments took into account the reality that it would not be possible. In regard to the buoyancy, they themselves have admitted that it is simply not possible, and there is more buoyant revenue in excise duty, as I mentioned earlier. In early 50s, what was your excise duty? It was Rs. 100 crores. And out of that Rs. 100 crores only on three items we used to get 40 per cent. And today that Rs. 100 has gone to Rs. 11,000 crores. And of that Rs. 11,000 crores you are getting a larger share of 45 per cent and the Union's share is getting reduced.

Sir, it has been pointed out that why we have not accepted the recommendations even if they were submitted to us a little later as it was done in respect of one Finance Commission. And I referred to it on an earlier occasion that the amount involved was just Rs. 41 crores. And it is of no use trying to multiply it by ten times. Even if we talk in terms of percentage, it was of a very small percentage. I think it was a little more than one per cent. And the exact amount was 1.23 per cent of the total revenue of Rs. 3,587 crores—Rs. 45 crores. And today, it is 3.5 per cent of the revenue of Rs. 29,482 crores. Is it equal? Is 1.23 per cent of Rs. 3,587 crores equal to 3.07 per cent of Rs. 29,482 crores? With marginal adjustments, small adjustments, how can you do it? I expected that the Members would come forward with something and not in the way of Mr. Micawber that you could have done something. I am frankly admitting Sir that I am no magician from where I can meet so many demands. I am to take into account the hard reality. And that is why I pointed out that if it was possible before the formulation of the Budget, I would have taken note of the fact that my share in the excise duty will go down from 60 per cent to 55 per cent, my commitment towards grant-aid would increase, and I would not have the opportunity of providing assistance through various other means. Therefore, my contention is that it would be wrong to come to the conclusion that the Central is not taking note of the fact of the States. I have quoted the figures about the Plan assistance, about over-draft adjustments and

stepping up of the Plan assistance. And it would be wrong to have the belief or to have the illusion that everything could have been done, and on the top of that , this was also feasible. This was not possible. This was not feasible. And that is why the words used by Mr. T.T. Krishnamachari were feasible and desirable. Yes, a day may come. I am not saying that any Finance Commission would do it. But somebody suggested that every year there should be a 10 per cent step up. After all, the ceiling is 100 when you are talking in terms of percentage and if a day comes when you say that 100 per cent of the excise duty is to be distributed amongst the States, then the Finance Minister will have to say, sorry, I cannot accept this proposal. After all, the commitment is no less. And, as I mentioned to you, when you are talking of the developmental projects, firstly, you should not confuse between the Finance Commission's recommendations which are, by and large, taking care of the non-developmental expenditure, non-Plan expenditure; it is good, if you can pay more to your employees, if you can give more dearness allowance, more amenities, but whom are you serving in this country? You are serving in this country your total organised working class force which is not more than 20 million and the entire resources will have to be carmarked for the development, for the betterment of these 20 million.

SHRI S. W. DHABE: Mr. Finance Minister, I am only asking whether in view of the Finance Commission's recommendations the objective criteria requires revision in view of the newer developments, in view of the payment of bonus to government employees, etc.

SHRI PRANAB KUMAR MUKHERJEE: I am not objecting to that. If you can review the objective criteria, do it, but within the parameters of your capabilities. What I am saying is that if you go on spending more on non-Plan, on non-developmental items, a situation will be created where no amount of mony will be available for development. I am not going against any populist measure. You can do it provided your resources permit. If you cannot generate electricity, if you have no money for building industries, if you have no money for irrigation, you simply cannot expect that rice will come from the heaven and you will be able to give it at Rs. 2 per k.g. If you can produce rice, ensure the required amount of irrigation, ensure generation of electricity, in that process you can do it. So, there should be a balance between this type of expenditure and developmental expenditure.

Then, Sir, another point has been made which is very unfair and I must strongly refute this type of arguments. When the Chief Ministers or State Governments make their representations to the Finance Commission or they speak in the National Development Council, they speak on behalf of their states keeping the interests of the States in view. And, when we take decisions, we take the decisions keeping in view what is the actual situation prevailing. Whether the Congress ruled State will suffer or non-Congress ruled State will suffer, is absolutely irrelevant and no man can take a decision on that basis; even those who are making this allegation, even if they come and occupy this seat, they won't be able to take a decision like that. If, as a result of the non-implementation of the Finance Commission's recommendations from the year 1984-85, or from 1st April, 1984, it is not only the non-Congress States which have suffered. Out of eleven States which were to get more grant-in-aid, only two are non-Congress States. They are West Bengal and Tripura. The other nine are Congress States. If I put it from this angle, but you should not do it. And, it is absolutely irrelevant to point out that just because some States are non-Congress States that is why they have discriminated and, Sir, in that process some Congress States have suffered. Rather this type of criticism is voiced very often. So,

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I have no hesitation in pointing out that to some extent we go out of the way to help non-Congress States so that they cannot make this type of allegation against us.

And, in regard to the devolution formula the Finance Commission apply the same yardstick to each and every State. It is not that they have a separate yardstick for Congress States and a separate yardstick for non-Congress States. They have the same yardstick for each and every State and if they have not accepted, as some Members pointed out, that the States forecasts were not totally accepted, yes, they were not accepted. For instance, U.P. said that in five years its deficit would be Rs. 11,000 crores. The Finance Commission by applying its own norm came to the conclusion that the deficit would be a little more than Rs. 2,000 crores and after the devolution they found that they are becoming surplus. And in respect of some States, by applying the same yardstick the Finance Commission came to the conclusion that the State would be either a surplus State or a Deficit As the hon. Members have seen from the report, before deviation, there were about 5 States which were surplus. After devolution, 6 more States became surplus and 11 States remained deficit, and of them 8 States are of special category, like Himachal, Meghalaya, Nagaland, whose resource base, economic activities, economic development are not at par with the mainstream of national life. But 3 major States, West Bengal, Rajasthan and Orissa, will remain deficit even after devolution, although Rajasthan will come out of deficit in a couple of years and also West Bengal would continue to be in the list of deficit States till the end of 1988-89.

One more point was raised as to whether there is any precedent of restricting the period of operation of the Finance Commission's recommendations for a shorter period It is true, in the terms of reference, it is indicated that the Finance Commission will make recommendations for a period of 5 years. But most respectfully, I will remind the House that when in the period of 1966—69, instead of taking the 5-year plan, we decided to have 3 annual plans, at that time, the recommendations of the then Finance Commission were terminated 2 years before its completion period. So, we have not done anything unusual, unprecedented, by limiting it to a period of 4 years. The difference is, last 2 years were curtailed and here the first year is curtailed. But there is a recommendation. I have not distributed resources according to my own will. Instead of limiting the Seventh Finance Commission's recommendations for 5 years, practically it has been extended, though it is the recommendation of the Eighth Finance Commission. I have not taken the technical ground but it factually remains that 1984-85 is covered by the interim report of Eighth Finance Commission. It would be wrong to say that Eighth Finance Commission's recommendation has not been implemented for 1984-85. I have implemented it; but I have not implemented the final recommendations; I have recommended the interim recommendations for the reasons I have explained.

It has been raised as to why there is no synchronisation with the planning and the recommendations of the Finance Commission. I think one of my colleagues from this side has replied to this point. Who is responsible for that? Surely not we. You terminated during the Janata period the 5-year plan concept and introduced a new concept of rolling plan knowing full well that rolling stones will never gather any moss, and which did never unroll itself at all in operation. It is at that point of time that synchronisation did not take place. We thought of it as to what could be done when this problem would come, that the last year of a plan will be covered by the recommendation of the new Finance Commission and 4 years of the plan

will be covered by another Finance Commission's recommendations. So, if we want to have this synchronisation, we may have to do it in two ways. Either we should have one Finance Commission for only one year, or we should have a Finance Commission which will make recommendations for two Finance Commissions in a period of 5 years, one for one year, and the other for 4 years; otherwise, it will be difficult to synchronise, and at this point of time, I did not think that we should disrupt it. So I did not make any change in respect of the period of operation, so far as the Finance Commission's recommendations are concerned.

I would not like to go into other aspects of overdrafts etc. I referred to it on an earlier occasion also; we discussed it in detail. But I would react to a couple of suggestions made by the hon. Members. One suggestion has been made by Dr. Heptulla, whether we should have a permanent Finance Commission. I am afraid, I cannot accept this suggestion at all because in our system itself, it would create a serious confrontation and problems. We shall have to keep in mind that here, the resources are being distributed by the Finance Commission and if we have a permanent body like that, we will be overshadowing the administrative Ministry. A situation will come when the responsibility for collecting the resources would be with somebody and distribution of the resources would be with somebody else.

The second suggestion was in regard to federal funds to meet the demands of the States. In fact, we have done it. This exercise is being done by the Planning Minister and the Finance Minister in consultation with each other whenever there is need by the States. We do it. Take the case of margin money for national calamities. The Finance Commission has made a recommendation. Earlier, it was that each State will have margin money. If they have to spent more than that, 75 per cent would come from the Union and 25 per cent from the States. But this time, it has been recommended that Rs. 120 crores we shall have to transfer to the States on the basis of their demands, whenever the States demand. And I have accepted it.

It has been asked, why have we not accepted the recommendation in regard to devolving transferring, money to the States in lieu of passenger tax. It is just a technicality and to show respect to Parliament. Somebody has totally misunderstood the Government's position. There is the Railway Convention Committee. Somebody has said that this is a Railway Committee. It is not a Railway Committee. It is a Parliamentary Committee. In their last recommendation, they said that they were not going to recommend anything as to what would be the transfer from the Union to the States in lieu of passenger tax. They said that they were waiting for the recommendations of the Finance Commission. The Finance Commission has made a recommendation. When it is a Parliamentary Committee, Parliamentary courtesy demands that I should exactly transfer the recommendation made by the Finance Commission to the Railway Convention Committee and whatever is the recommendation of the Railway Convention Committee, I will accept. But it should not be more than the Finance Commission's recommendation because the Finance Commission itself has stepped it up from Rs. 23 crores to Rs. 95 crores.

I think, Sir, I have replied to the major points which have been made by hon. Members. There is one last point. Somebody has raised the question of the bearer bonds. In the Finance Commission's report itself, in para 5.14 and 5.15, this has been discussed and the Finance Commission did not agree to the recommendation of the States.

Sir, in regard to the various representations of the State Governments, which have been referred to, it is true... When the Finance Commission sits and invites representations, the

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States would like to project their demands more. The States would like to project their expenditure. The other day, on the floor of the other House, one senior Member, who has been the Chairman of one of the earlier Finance Commissions said that the very setting up of the Finance Commission is an open invitation to the States to incur a little bit more, is an encouragement to the States to incur more expenditure on the non-developmental side, because, they know, after all, the Finance Commission is there to take care of it.

Sir, with these words, I once again express my gratitude to the hon. Members for making very valuable comments on the report.

ANNOUNCEMENT RE. GOVERNMENT BUSINESS

MR. DEPUTY CHAIRMAN: Before we adjourn, I have to inform hon. Members that the Business Advisory Committee at its meeting held today, the 14th August, 1984 recommended that further consideration of the Motion regarding the Approach to the Seventh Five-Year Plan, 1985—90, should be taken up on Friday, the 17th August, 1984, before and after the Private Members' Business.

The Committee also recommended that the present Session of the Rajya Sabha be extended by one day and the House should accordingly sit on Saturday, the 25th August, 1984, in order to transact Government Business.

सदन की बैठक 16 अगस्त, 1984 को 11 बजे तक के लिए स्थगित की जाती है।

The House then adjourned at ten minutes past seven of the clock, till eleven of the clock, on Thursday, the 16th August, 1984.